INDIA AND THE EMPIRE

A CONSIDERATION OF THE TARIFF PROBLEM

M. DE P. WEBB, C.I.E.

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BY

M. DE P. WEBB, C.I.E.

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WITH AN INTRODUCTION BY

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LONGMANS, GREEN, AND CO.

39 PATERNOSTER ROW, LONDON

NEW YORK, BOMBAY, AND CALCUTTA

1908

Dedicated

TO

OUR GREAT EMPIRE BUILDER

THE RIGHT HONOURABLE JOSEPH CHAMBERLAIN,
P.C., F.R.S., J.P., M.P., ETC.

AND HIS FELLOW-ARCHITECTS

THE RIGHT HONOURABLE SIR WILFRID LAURIER, G.C.M.G.

AND

THE HONOURABLE ALFRED DEAKIN

PREFACE.

To millions in the Mother Land, India remains to this day but little more than a name. How many yet realise—to mention only two matters—that our great Eastern Dependency supports roughly one-fifth of the population of the entire world, or that its oversea trade is almost as much as that of Canada, Australia and all the other British Colonies put together? These facts alone should place India well in the forefront when any scheme aiming at the Federation of the British Empire or the establishment of Preferential Trade within the Empire is under discussion. Unfortunately, India has had but comparatively few champions amongst the economists, politicians and statesmen of the United Kingdom; with the result that her peculiarities, her strength and her possibilities are but little understood by many of those who profess to

instruct and guide public opinion at home. In no respect has this been more strikingly revealed than in Great Britain's treatment of the economic problems with which the peoples of India are face to face. It has been honestly but ignorantly assumed, for example, that the principles of free trade, under which England made such wonderful progress during the second half of the last century, are of universal application, and that India, with her 200,000,000 of illiterate and primitive agriculturists, must therefore benefit by the adoption of the theory, in exactly the same way as the United Kingdom has done, with its small population of enterprising and highly skilled manufacturers dependent upon the outside world for raw materials, and for the markets of the world in which to sell their finished products. The inapplicability of such a doctrine is patent to all who have any experience of the East, and by none more effectively than by some of India's own publicists have its defects been exposed and its lack of statesmanlike foresight condemned.

The main objects of the present work are twofold : (1) to briefly present the case for Tariff Reform and Preferential Trade in a somewhat new garb ; and (2), more particularly, to exhibit the true position and strength of India and the great importance of her assuming a leading part

in the rising movement for Imperial Tariff revision.

It may argue a certain amount of confidence, or perhaps some may say of ignorance, to attempt at this time of day a restatement of the case for Tariff Reform in the United Kingdom. At the same time it often happens that a view which is obscured from one aspect is open from another, and the writer has therefore ventured in Chapters II., III. and IV. to explain in his own way the reasons of the faith within him, in the hope that, as in the case of the author himself, some other pure-bred, orthodox free-trader may find grounds for abandoning what once appeared a thoroughly sound and altogether incontrovertible theory!

In this connection it would be of the greatest service to the cause of truth and progress if those Socialist and Labour leaders of Great Britain, who continue to proclaim their adherence to the doctrines of free trade in their most rigid form, would condescend to explain how the earnings and status of British labour are to be raised, if foreign manufactures, produced by labour of a cheaper character and lower status, are allowed to enter Great Britain tax-free to compete with similar goods of home manufacture. One of the great ideals of every reformer—be his politics

what they may—is to raise the standards of living, of comfort and of security of the workers of the United Kingdom above those hitherto enjoyed by them. This ideal is obviously unattainable if the trade products of a lower type of social and political life are allowed to compete, free of all taxation, with those of a more expensive civilisation that have to bear heavy home taxes.

With regard to India, a residence of seventeen years in the East, in constant touch with matters commercial and financial, has afforded a certain amount of material on which to base conclusions. That these conclusions will exactly coincide with those of every other Anglo-Indian merchant cannot for a moment be expected; but that India, from the nature of her foreign trade, must of necessity be involved in any measures of retaliation that foreign nations may devise against Great Britain or the British Colonies, as the result of the inauguration of a policy of Preferential Trade, nobody can for a moment doubt. And this being so, it is submitted that the wisest course now is to pass in review all the weapons of offence and defence which India at present possesses — and the armoury is indeed well stocked—so that we can study and understand our true position,

realise the vast resources at our disposal, and carefully prepare our plan of action in readiness for the moment when the people of Britain realise the necessity for scrapping their out-of-date fiscal machinery and employing the very latest tariff and revenue mechanism for augmenting the strength of the Empire. The course which it is suggested India should take forthwith, it will be noted, is confined to but little more than expressing active sympathy and adherence to the plan of Tariff Reform advocated by Mr. Chamberlain in 1903—a step forward that even the most timid can hardly argue will jeopardise India's financial or commercial prosperity.

Incidentally it is hoped that the publication of information regarding India's trade, population and potentialities will help to correct those myopic tendencies which have in late years found expression in local efforts to exclude all Asiatics from Canada, Australia and South Africa. The aims and ideals of our oversea kinsmen are of course quite intelligible, but as members of an Empire that embraces nearly one-quarter of the population of the globe, *three-fourths of which portion are Asiatics*, it would show greater evidence of a sense of Imperial responsibility were all legislation directed against the peoples of India, tempered with a more

practical recognition of the part which those peoples play in contributing to the wealth and strength of the Empire as a whole.

In the following pages reference is made more than once to the progress achieved in recent years by Germany and the United States of America. From all appearances Germany is now approaching a period of financial stress, whilst the United States are already involved in a monetary crisis. It is to be expected, therefore, that superficial critics will point triumphantly to these facts as evidence of the unsoundness of a scientific commercial State policy as compared to the partially free import tariff system of the United Kingdom. This is not the place to enter upon a consideration of monetary or financial problems; suffice it to say that all well-informed students of the currencies and money markets of the world will readily recognise that the present financial situations in Germany and the United States (to make no mention of the conditions prevailing in France and the United Kingdom) are in no way connected with the fiscal policies of the nations concerned.

Three appendices have been added to this work for ready reference, one giving a few figures illustrative of the rapid progress of India's external trade, a second outlining the present Indian

Customs Tariff, and the third a *verbatim* extract from Mr. Chamberlain's great speech of the 6th October, 1903, delivered at St. Andrew's Hall, Glasgow. The reproduction of this last becomes necessary because of the constant misrepresentation in which political leaders, even of the standing of Mr. Asquith, appear to indulge.

M. de P. WEBB.

Karachi, India,
1st January, 1908.

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INTRODUCTION.

The total import trade of India in 1906 (exclusive of Treasure) was valued at approximately £78,000,000, and the value of British goods included in this amount was about two-thirds of this total, or say £52,000,000; further, whilst India stands a long way first among British Colonies and Dependencies, both as regards import and export trade with the United Kingdom, she stands a close third of all the countries in the world as regards the value of her imports of British goods, and a close fourth in the value of her exports to the United Kingdom. The following are the comparative figures for British imports from and exports to the most important countries as regards our trade relations :—

	1905.[1]		1906.[1]	
	IMPORTS.	EXPORTS.	IMPORTS.	EXPORTS.
	£	£	£	£
United States -	115,500,000	47,200,000	131,100,000	53,200,000
India - -	36,000,000	44,300,000	37,800,000	46,400,000
France - -	53,000,000	23,300,000	53,800,000	28,700,000
Germany -	35,700,000	42,700,000	38,000,000	48,300,000
Holland - -	35,400,000	14,500,000	36,600,000	16,800,000
Russia - -	33,300,000	14,800,000	30,000,000	15,900,000
Australia -	26,900,000	19,400,000	29,100,000	22,700,000
Belgium - -	27,700,000	14,800,000	29,000,000	16,700,000
Canada - -	25,600,000	13,700,000	30,300,000	15,400,000

The foregoing figures establish the great importance of Indian trade as a factor in the economic system of the British Empire, and they indicate to all British political economists, and especially to tariff reformers, the necessity of giving the fullest consideration to Indian interests. Mr. Webb, whose special qualifications for the task are well known in India, has rendered a signal service in pointing out so clearly the important features of Indian trade, and in treating the question of India's position as regards tariff reform proposals in such a practical manner, and from such a wide point of view.

Mr. Webb's treatment of the economic problem of how best to develop the trade of a country is at once novel and interesting. He

[1] The figures set forth show that, contrary to what is often assumed, there is no necessary connection between the values of imports from and exports to any given country.

postulates that "where demand, labour, materials and capital are found in the greatest abundance, of the best qualities, and at the cheapest cost, there trade will develop at the greatest speed". He proceeds to discuss the British position as regards the four essentials for trade development; he concludes that, under existing conditions, demand is becoming increasingly difficult to maintain, resources in materials are possessed to an equal or greater extent by some of our most dangerous competitors, labour is now equally or better trained and is more abundant in certain rival countries, and as regards capital the accumulation of trade profits on the Continents of Europe and America has deprived the United Kingdom of its former supremacy. This discouraging aspect of trade prospects in the British Isles naturally suggests the question—Why should we not take advantage of our Imperial position, and by scientific organisation and combination make the most of the vast resources of the Empire, which, whether as regards demand, materials, labour or capital, are, when combined, unrivalled and beyond competition? It is from this Imperial point of view that India stands pre-eminently first among the component parts of the British Empire, and it is from this same point of view that Mr. Webb, after a detailed study

of Indian resources and trade, proceeds to show how India could most advantageously take her place in a system of Imperial preference.

Mr. Webb, in his detailed examination of the various important staples of India's export trade, faces the facts of the case very fairly, whether favourable to his general argument or otherwise. He comes to the conclusion that India, under *present* conditions, has not very much to gain from an Imperial preferential tariff, but turning to the wider aspect of the question, he urges the great importance for the United Kingdom to do all that is possible to secure a fuller proportion of India's import trade, of which some £26,000,000 per annum now goes to other countries. Personally, I am of opinion that much can be done in this direction, and that India's exports to the United Kingdom of certain staple products could be fostered without cost to home consumers, whilst it must ever be borne in mind that the more India sells, the more her people can buy, and that, even under present conditions, the British Isles are able to supply two-thirds of their requirements. The balance, the greater proportion of which might presumably be secured, is a very important one; it is worth a serious effort to endeavour to secure it.

The consideration of the dependence of India's purchasing power on her selling capacity must not, however, be considered solely in connection with trade with the United Kingdom. If India sells more in quantity of raw produce, or more in value of manufactured or half-manufactured goods, whether to the United Kingdom or to other countries, she will be able to import more British merchandise. To sell greater quantities or higher-priced products in foreign markets, she must boldly enforce her rights to freer trade with such foreign markets, by a policy of retaliation against the countries which deny her freedom of trade in those articles which she can produce cheaply and advantageously. Free trade is an ideal which India cannot obtain without the consent of the foreign nations trading with her. They are perfectly justified in taking measures to prohibit freedom of trade, if they consider it to be to their advantage so to do; but India is equally justified in taking measures to force them to reconsider the situation and to find their profit in according to her a larger measure of free trade.

I will cite examples of what can be done. In Russia, tariff regulations give a preference to Chinese over Indian tea. India is an important market for Russian petroleum. If Russia were

threatened with an Indian customs tariff discriminating against her petroleum, she would find it to her advantage to accord greater freedom of trade to Indian tea. If German manufactures were threatened with a discriminating duty in India, Germany would modify her present tariff, which is practically prohibitory to the importation from India of such articles as jute manufactures, cleaned rice, etc. The obstructive or prohibitory tariffs of the United States and France might be similarly met, with similar results. All these countries have employed experts to frame scientific tariffs in support of their respective individual interests. They are always ready to modify these tariffs when other countries take measures to nullify their advantages.

It is too much to expect that India will ever secure theoretical free trade; but if she fights for it, she will obtain some measure of that freedom which to-day is denied to her by all the protectionist countries of the world. These countries are delighted to accept from India, free of duty, those raw products which either fail altogether within their own territories, or are produced in insufficient quantities for their requirements; but whilst accepting such articles as raw jute, raw hides, oilseeds and uncleaned

rice free of duty, they levy prohibitory import duties on India's jute manufactures, tanned hides, oils and cleaned rice. They thus achieve their object of maintaining a cheap supply of raw materials for their own industries, whilst successfully obstructing industrial development in India. It is their natural desire to keep the peoples of India in the position of hewers of wood and drawers of water for their manufacturers. Ought such a situation to be tolerated when we hold the remedy in our own hands? Can we expect the people of India to accept it with equanimity? Do we not, by our present attitude, justify the Swadeshi movement, and wilfully add fuel to the flame of political unrest?

I am aware that many who have not studied the details of Indian trade, fear that if India adopted a policy of retaliation, her foreign customers would refuse to receive her exported produce, and that India would consequently suffer severely in her all-important export trade; but, if the position be examined in detail, it will be found that India has a practical monopoly of production of certain important raw materials, and that as regards many others, where she has not a monopoly, her production forms such a large percentage of the whole that its exclusion from any market must necessarily enhance prices

in that market, in a manner most prejudicial to local industrial interests. It must be recognised that the countries which have built up important industries, on the basis of a cheap supply of raw material, cannot afford to see those industries threatened with a failure of that supply.

I may conclude this brief introduction to Mr. Webb's lucid exposition of the question of India's interest in tariff reform by quoting the concluding sentences of the Despatch of the Government of India, on tariffs, dated 22nd October, 1903: "All that we seek is that we shall not be pledged in advance to accord equal treatment to the imports of all countries alike, irrespective of whether they penalise our exports or not. And we are hopeful that the mere announcement that our hands are free will of itself suffice to maintain us in the enjoyment of that considerable measure of free exchange which we already possess, and from time to time even to extend it." In these words the Government of India practically declared for a policy of retaliation. It remains for the Home Government which may introduce tariff reform to formulate such proposals as will fully justify India in accepting also the policy of Imperial preference. And such proposals can be formulated.

E. FG. LAW.

I.—RECENT EVENTS: THEIR SIGNIFICANCE TO INDIA.

If at certain periods in the history of a nation, it becomes necessary to review its principles of domestic policy for the purpose of adapting the Government to the changing and improving condition of its people, it must be equally the part of a wise community to alter the maxims by which its foreign relations have, in past times, been regulated in conformity with the changes that have taken place over the entire globe.—Richard Cobden.

On the 7th of August, 1903, the Secretary of State for India telegraphed to Simla inviting the attention of the Government of India to the resolution passed at the Colonial Conference of 1902, in favour of mutual trade preference between the different portions of the Empire; stating that his Majesty's Government were then considering how far it was possible and expedient to give effect to this recommendation; and intimating his desire to receive from the Government of India any observations and suggestions which they might wish to make on the subject from the point of view of Indian interests. In reply to this request the Government of India on the 22nd October, *i.e.*, after an interval of a few weeks, submitted a despatch, No. 324, accompanied by a valuable minute by Sir Edward Law, then India's Finance Minister, giving their views and conclusions, and urging that, whatever be the final decision of the

Home Government in the matter, India might not be pledged in advance to accord equal treatment to imports from all countries alike, irrespective of the treatment meted out by such countries to India's exports. With regard to the main question of preferential trade within the Empire, the Government of India were of opinion :—

Firstly, that without any such system, India already enjoyed a large, probably an exceptionally large, measure of the advantages of the free exchange of imports and exports.

Secondly, that if the matter was regarded exclusively from an economic standpoint, India had something, but not perhaps very much, to offer to the Empire; that she had very little to gain in return; and that she had a great deal to lose or to risk.

Thirdly, that in a financial aspect, the danger to India of reprisals by foreign nations, even if eventually unsuccessful, was so serious and their results would be so disastrous that India would not be justified in embarking on any new policy of preferential trade unless assured of benefits greater and more certain than any which had so far presented themselves to the Government of India.

In arriving at these conclusions Government did not consult public opinion in any way. The views of the several Chambers of Commerce, for example, were not invited, nor, so far as is known, were those of any other trade associations—European or Indian. The despatch of the 22nd October, 1903, in truth represented the views of the chief officials of the Government of India and of those officials only. Dealing as it did with such controversial subjects as Free Trade, Fair Trade and Protection,

it was not to be expected that it would escape criticism or would thoroughly satisfy all sections of the community. Whilst on the one hand it has been regarded by orthodox free traders as an extremely able document, confirming in every respect the views of those who doubted the possibility or advisability of attempting to drag India into a fiscal policy the advantages of which were directly questioned, on the other it has been condemned by ardent tariff reformers as a lamentably feeble production discoloured by an obvious bias against Mr. Chamberlain, and revealing not only the short-sightedness of the bigoted free trader but also a pitiful incompetence to recognise the real position and strength of India in any scheme for the commercial federation of the British Empire. In whichever direction our sympathies may incline, the fact remains that, in the absence of any specific action by the various Chambers of Commerce and other public bodies in India either in support or in opposition to the views expressed by Lord Curzon's Government, we must conclude that the much-criticised despatch accurately reflected the general trend of Anglo-Indian opinion; or at any rate that its cautious tone, its non-committal attitude, and its request that India might not be pledged in advance to any policy that she had not first had an opportunity of carefully considering, were all thoroughly approved of by the great majority of commercial men in India.

Four years have now elapsed, and in the interval much has occurred to add to our knowledge of the great problem of tariff reform—its necessity, its feasibility, the desirability, or otherwise, of including India within its scope. The Tariff Commission created by Mr.

Chamberlain, with the object of minutely investigating the conditions of Great Britain's leading industries and the effects thereon of foreign competition, has already issued seven volumes of its Report (dealing with the iron and steel trades, the textile trades, agriculture, engineering and the pottery, glass and sugar industries), and is still continuing its valuable work. The Tariff Reform League, with its branches all over the United Kingdom, is carrying on an active campaign of an educational character, and hundreds of meetings have been addressed by authoritative speakers, to make no mention of the issue of a steady stream of literature designed to appeal to and enlighten every class of the population. Apart from the activities of these organisations, which are admittedly the special machinery of Mr. Chamberlain and his supporters, indications of the widespread interest now aroused in the subject may be gathered from the length at which preferential trade resolutions were discussed at the Sixth Congress of Chambers of Commerce of the Empire, and also at the great Conference of the representatives of Great Britain, India and the self-governing Colonies held in London in July, 1906, and April, 1907, respectively. The speeches made at those conferences were closely followed in all parts of the Empire, and, thanks to the recognition afforded by the British Press throughout the world of their great importance, especially in the case of the meeting of the Colonial Ministers in London last summer, the peoples of Great and Greater Britain were able to follow day by day the efforts made to come to an agreement as to the best means of promoting Imperial interests. In the case of the Chambers of Com-

merce, after a warm debate extending over the best part of two days, a resolution was carried by a large majority (105 Chambers for; 41 against; and 21 neutral) urging upon his Majesty's Governments in the United Kingdom and the various Colonies and Dependencies . . . "the granting of preferential treatment in their respective markets on a reciprocal basis, each to the other; believing that thereby the bonds of union will be strengthened and the British Empire largely freed from dependence on foreign countries for food and other supplies". In the case of the Colonial Conference of April last, the subject was closely debated for no less than five consecutive days. The upshot was a reaffirmation of the following resolutions (originally passed at the Colonial Conference of 1902):—

(1) That this Conference recognises that the principle of preferential trade between the United Kingdom and his Majesty's dominions beyond the seas would stimulate and facilitate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.

(2) That this Conference recognises that in the present circumstances of the Colonies, it is not practicable to adopt a general system of free trade as between the mother country and the British dominions beyond the seas.

(3) That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far as their circumstances permit,

give substantial preferential treatment to the products and manufactures of the United Kingdom.

(4) That the Prime Ministers of the Colonies respectfully urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies either by exemption from or reduction of duties now or hereafter imposed.

(5) That the Prime Ministers present at the Conference undertake to submit to their respective Governments, at the earliest opportunity, the principle of the resolution, and to request them to take such measures as may be necessary to give effect to it.

The above resolutions were supported by all members of the Conference with the exception of his Majesty's Government (of the United Kingdom), who were unable to concur with the principles laid down . . . "in so far as they implied that it was necessary or expedient to alter the fiscal system of the United Kingdom".

It will be noticed that whilst the Prime Ministers of the Colonies undertake to place the above resolutions before their respective Governments, there is no mention of any obligation on the part of the Secretary of State for India to take any action whatever in the matter so far as India is concerned. The special nature of the political ties between Great Britain and her chief dependency no doubt explains this omission. At the same time the fact that India's interests must inevitably be involved, whether she elect to join in the present movement or not, is a sufficient reason for urging the mercantile communities of our great Indian Empire

to come to an early decision as to the policy they propose to adopt. Foretastes of what must inevitably occur in the future are afforded by the action of France in 1900, of Russia in 1903, and of Japan at a later date. Indian interests were attacked, threatened or handicapped, not on account of any specific action on the part of India, but as a consequence of circumstances entirely beyond her control—a consequence, in short, of her being a portion of the British Empire. What has happened in the past will assuredly occur again, and with more serious effects, as the magnitude of the interests involved in the policy of Imperial Trade Preference increases. By the action of Canada, New Zealand, Australia and South Africa that policy is now in process of active evolution. The time has come, therefore, for thoroughly considering India's position in the matter. The first part of the resolution passed at the recent Colonial Conference (London, April, 1907) affords the best basis for our investigations:—

"Preferential trade between the United Kingdom and his Majesty's dominions beyond the seas would facilitate and stimulate mutual commercial intercourse; and would, by promoting the development of the resources and industries of the several parts, strengthen the whole Empire."

This is the proposition we have to examine. It may be said to represent the accumulated wisdom of the Prime Ministers of all our self-governing Colonies. It is the principle upon which Canada and Australia have achieved federation, and by aid of which Germany and the United States, thanks largely to the foresight of President McKinley and Prince Bismarck, have risen to

their present position of commercial and political eminence. Is it applicable to the British Empire as a whole? And, in particular, would its recognition and adoption be an advantage to India? These are the points we propose to consider.

II.—FREE TRADE *VERSUS* A NATIONAL COMMERCIAL POLICY.

We believe that the principles upon which you have constructed your commercial code are fallacious. We believe that the time will come when you yourselves will acknowledge the truth of that assertion.—LORD BEACONSFIELD, 19th February, 1850.

BEFORE proceeding to weigh the desirability or otherwise of including India in any scheme of preferential trade within the Empire, it is essential that we grasp the root principles of preferential trade as distinguished from those of the current free import system of the United Kingdom. The theory underlying the latter is that cheapness is the key to all commercial progress, and that anything in the form of Government interference would of necessity add to the cost of production and so jeopardise the producer's ability to compete with rival producers. As successful commerce is admittedly the backbone of national progress, any handicap of this kind would mean restricted trade and consequently a diminished rate of national growth. The advocates of a State commercial policy agree up to a certain point regarding the advantages of cheapness in consumption, but they argue that as the quantity produced is nowadays the main factor in cheap production, stable and expanding markets are the ultimate source of a nation's in-

dustrial prosperity; that consequently any Government action directed to the creation and retention of such markets is desirable and best calculated to promote cheap production in the long run, and so to further the cause of industrial advancement and national progress. The United Kingdom is at present practically the only exponent of the free import policy, whilst the rest of the world (including the great commercial nations of Europe and America, the whole of the self-governing British Colonies as well as the natives of India) are all believers in a system of scientific commercial tariffs.

The relative merits of the two policies may be gauged by a consideration of the conditions essential to modern production on a large and diversified scale. In the first place, the existence of a Government sufficiently powerful to secure commerce from physical interruption or outrage is assumed. This in itself costs many millions sterling per annum, all of which has to be provided from the surplus earnings of trade and is common to both "free" and "preferential" trade policies. Granted a state of peace and security, the four conditions essential to wealth creation are demand, labour, materials and capital. The parts played by raw products—nature's contributions to man's needs, and by human labour—mental as well as manual—are quite obvious. Capital, the accumulated savings from former efforts, is essential for the provision of the machinery and materials of production, and for the support of all concerned whilst the work of production is in process. The importance of the fourth essential, demand, requires special emphasis. Without the wants, desires, or demands of mankind—without, in the language of

commerce, ample and stable markets, wealth creation would not take place at all notwithstanding the existence of labour, materials and capital. Demand, in fact, is the mainspring of all wealth productive effort. This fact realised, it becomes obvious that in the kindling of wants and desires, in the creation of demand, in the securing and maintenance of markets, lie the whole secret and source of successful trade. Here, in short, is the one great central clue that will enable us to decide upon the line of policy best calculated to promote commercial, and therefore social and political, progress.

Where demand, labour, materials and capital are found in the greatest abundance, of the best qualities, and at the cheapest cost, there trade developments will take place at the greatest speed, and with the least economical expenditure. Had any one nation a monopoly of all these essentials, no rival could possibly stand against her. As a matter of fact, no nation at the present day has a monopoly of any one, even, of the essentials to wealth creation; and in carrying on the world's trade, therefore, the peoples of various nations find satisfaction in exchanging with each other those products which they have an excess for those in which they are most deficient, or for which they have a special desire. Assuming the whole processes of production and exchange to be performed without interference of any kind, it follows that free trade of this nature would enable all parties to procure what they required at the lowest possible economical cost to all concerned.

Whilst no nation enjoys a monopoly of the whole, or even of any one of the essentials to wealth creation, most of the great nations possess some superiority of

demand, labour, materials or capital; and this superiority places them in a favourable position for supplying certain commercial products at a very low economical cost. Moreover, this ability to produce cheaply means that by giving the cheaply produced goods in exchange for the commodities they require from abroad, such foreign commodities are obtained at the minimum cost to themselves. In other words, free trade, that is, trade which is unhampered by any restriction whatever, enables the nation adopting it not only to produce but also to procure everything that it may be able to acquire, at the lowest possible economic cost to itself. And the corollary to this position of superior economic productivity is that a free trade nation with average resources can accumulate savings or surpluses (*i.e.*, capital) under the easiest and most economical conditions. Here, in brief, we have the essence of the case for free trade.

The difference between those who see in the above principles the best means of promoting commercial (and therefore national) progress, and those who advocate the adoption of the trade policies of the Continents of Europe and America, is identically the same as that between a parent who, being the father of a healthy vigorous child, prefers to allow that child to grow to manhood in freedom—untutored and with no particular object in life, and another who, inspired by an ideal which he hopes to see his offspring attain, checks, restrains, guides and encourages that offspring with the object of at length fitting him for the position he is afterwards to occupy. No doubt the process of schooling, the constant discipline, the cultivation of habits of ap-

plication to this or that branch of knowledge, all involved considerable curtailment of the youth's freedom or liberty. At the same time the principle of education is everywhere recognised to be wise and expedient, and the results universally testify to the soundness of the institution. Now a nation is after all but a vast aggregation of individuals. To allow the animal instinct of personal greed, wholly unguided, to be the main and only motive inspiring commercial action, is to run risks which no prudent State can possibly face, the more particularly as it is from the surpluses of this commercial action that the means of national and political advancement are derived. Free trade admittedly permits the accumulation of material wealth at the lowest possible economic cost. At the same time it involves, to attain this end, the sacrifice of all other considerations, and a total and entire concentration of national activities upon that particular branch or branches of industry in which the free trader may possess a momentary superiority. Now no sensible parent, however much he may admire freedom and liberty in the abstract, will allow his children to devote the whole of their attention and energies to that particular gratification which they in their judgment and for the moment find most pleasant. On the contrary, every sensible parent checks such tendencies and directs attention to all those subjects which he of his wisdom and experience knows will be of the greatest value and importance to his children in after life. So, too, a wise statesman will not allow commercial developments to run unguided solely in the direction which the trading world—of necessity seeking nothing beyond its own private profits—may find for

the time being most attractive. Recognising that the health and strength of the nation, present and future, are of greater importance than the blind gratification of a temporary economic cheapness, the far-seeing statesman, taking stock of all the world forces and tendencies around him, and measuring out the probable difficulties and dangers which his country will have to withstand in the years to come, erects in his imagination a great national ideal, and then, not hesitating to sacrifice to some extent if necessary momentary interests and freedom of action, he labours methodically, scientifically and determinedly towards the realisation of that ideal. Thus did great minds such as those of Alexander Hamilton and President McKinley, Frederick List and Prince Bismarck lay the foundations of the splendid future of their respective nations. The ideal commercial condition towards which these practical Empire-builders strove was (1) the full development of their countries' industrial resources by means of an interchange of their natural products for manufactures produced by means of their own labour and capital; consequently, (2) the creation of sources of employment, largely diversified, appropriate to the talents of all, and satisfactory and profitable to the greatest possible number of their own peoples; and (3) the creation of a standard of living, of comfort and of security for all who worked, higher, better and more admirable than that of any other nation. The attainment of these ideals, which mean the nearest possible approach to a self-contained, wealthy, highly developed and powerful nation, involves the self-negation of many temporary gratifications, but the final results more than compen-

sate for any intermediate sacrifices, just as the restriction of free action imposed on man in his youthful years is more than compensated for by the subsequent access of wealth, knowledge and power which become his on maturity. This is the thesis of all scientific commercial policies.

The means adopted for attaining the national ideal in the shortest possible time must depend upon the circumstances of each individual case. The obvious advantages of manufacturing industries—good profits for many workers, largely independent of the climatic variations that affect agriculture, and occupying relatively but very small areas of land—have decided all modern nations to bring science and State-aid to the creation and development of such industries. The machinery employed has varied in different cases. Cheap capital has been lent by the State; labour has been made more efficient by means of State-aided education—literary and technical; whilst the cultivation of "materials" has been encouraged through State bounties on production. The most common and effective means employed has been the State manipulation of the "demand" or market. Demand, as we have seen, is the mainspring of all wealth creation. It is therefore the essential—the treatment of which can be relied upon to yield the most certain results.

The mechanism by aid of which demand has been intensified to the required degree, is ingenious and eminently practical. We have recognised at the outset that a condition of security is necessary for the successful operation of the four essentials to wealth creation; and that this condition is attained by the maintenance

of Government costing vast sums which have all to be provided in the last resource from the surpluses of commerce. The brains that have devised national commercial policies for the great nations of the world have seized on this fact and so manipulated the collection of the Government revenues as to affect the prices of, and demand for, those products the home manufacture of which they desire to encourage. In this way two birds have been killed by one stone. Revenues for the maintenance of Government have been realised and at the same time, owing to the rise in home prices (or the certainty of there being no fall in home prices), home manufacturers have been encouraged to undertake various works of production (in factories of all kinds), and thus new industries have been created and developed. This result has no doubt been effected in the first instance at the expense of the home consumer, but the creation of a new industry was the special object in view, and that object has been successfully accomplished. Moreover, just as children arrive at maturity and are no longer a charge on their parents, so new industries quickly acquire strength and are no longer economically expensive to those who created them. This may be taken as typical of the operation of the principle of preferential trade, *i.e.*, preference for home manufactures over those of foreign origin and attained at very little extra cost to the community, *the revenues collected being exactly the same as in the case of a free-trade country.*

A word regarding the possibilities of a scientifically devised State commercial system *versus* the *laisser-aller* free trade policy of Great Britain is necessary. In the pursuit of a national ideal, it is conceivable that a

competing State may find it in its own interests to discriminate as to what it will receive in exchange for its own products. It is generally assumed that the upshot of modern methods of buying and selling is that commodities are exchanged for commodities; and for the purposes of this inquiry this hypothesis may be accepted without qualification. But it is possible that it may suit a nation deficient in any commodities or in any of the essentials to wealth creation to make special State efforts to secure those commodities or essentials in which it is economically weak. Thus Canada is at the present day doing all it can to encourage the inflow of "labour". Most European nations are nowadays deficient in raw "materials," and are at the same time anxious, in order to give their people as much employment as possible, to build up manufacturing industries of their own. Legislative action is accordingly undertaken calculated to encourage the inflow of raw materials (no import duties), and to handicap the import of manufactured goods (heavy import duties). In this way do the continental nations of Europe discriminate in what they receive in exchange for their own products. Then again gold and silver money are nothing more or less than DEMAND in its most concrete and effective form, and the remittance of this materialised demand may be preferred and engineered to the possibly serious loss of the nation being bled. Thus it will be seen that there is practically no end to the ingenuity that can be exerted in the furtherance of a national commercial policy, or to the astonishing results which the exercise of wisdom and foresight in the development thereof may eventually produce. Especially is this apparent when we remember

that nowadays, with the extraordinary productivity of modern machinery, the quantity produced is the main factor in cheap production. If then it be possible by the imposition of high import duties considerably to enlarge home demands and at the same time restrict the demands or markets of rival nations, the protected manufacturer, with a large and profitable home market, will be able eventually to produce actually at a lower cost than his free trade rival, thus undermining the sole foundation upon which the latter relies. Only one result can follow competition of this character.

Sufficient has been written above to make it clear that *laisser-aller* free trade as a commercial principle has no more chance of ultimate success when opposed to a scientific, national, trade policy directed towards the attainment of a specific national ideal, than an ignorant, untrained youth would have against a combination of the most highly cultivated products of our modern educational system. The application of this axiom to the current trade of the world will form the subject of the next step in our inquiry.

III.—BRITAIN'S ECONOMIC POSITION NO LONGER SOUND.

The old ideas of trade, of free competition, are changed. We are face to face with great combinations and enormous trusts, having behind them gigantic wealth. Even the industries and the commerce which we thought to be peculiarly our own are in danger. It is quite impossible that these new methods of competition can be met by a strict adherence to old and antiquated methods.—Mr. Chamberlain, 16th May, 1902.

A theoretical consideration of the relative merits of both policies shows conclusively that *laisser-aller* free trade cannot in reason be expected to result so advantageously as a State commercial policy directed towards the attainment of a definite national ideal. At present the advocates of the free import policy of the United Kingdom have no ideal beyond the maintenance of the present condition of affairs, whereby it is hoped that Britain's manufacturers will continue to be able to produce more cheaply than rival manufacturing nations, and will continue to find expanding markets for their cheap products. This simple faith in Old England's powers, in face of the facts that (1) other nations can already produce as cheaply as, and in some departments more cheaply than, Britain's manufacturers; and that (2) the whole world, including Britain's own Colonies, has adopted a policy whereby the markets for British

manufactures are being methodically restricted, satisfactory as it may be to our national vanity, does but little credit to those business faculties and qualities of intelligent foresight andimperial statesmanship that have made Great Britain what it now is.

Let us review the whole position as practical Empire-builders. So far as the cost of Government is concerned —all provided in the last instance, be it remembered, from the surplus earnings of successful trade—Great Britain is no worse off than her chief political and commercial rivals. In 1905-6 the total expenditure of the people of the United Kingdom for Government services was £140,511,955. This compares with £110,000,000 spent by Germany (1905); £144,000,000 by France (1903); £150,000,000 by the United States (1905); and £224,000,000 by Russia (1904). All these sums had to be provided with the primary object of affording the necessary medium or state wherein the conditions essential to wealth production—demand, labour, materials and capital—could operate most effectually. Whatever line of commercial policy we may eventually evolve, it is necessary to bear in mind that we have, like every other nation, to include a practical plan for extracting, with as little difficulty and disturbance as possible, the £140,000,000 sterling per annum, or more, required for the maintenance of Great Britain's Government.

Assuming the existence of a thoroughly efficient Government, we must now glance at Britain's position with regard to the four essentials to wealth creation. First with regard to capital. Thanks to the success of British trade during the larger portion of the last century, the United Kingdom managed to accumulate a

mass of capital of greater volume, better organised, and, for working purposes, cheaper in cost than any similar accumulations the world had before seen. The possession of so vast and so cheap a supply of one of the essentials to wealth production gave the people of Britain an advantage in trade which rival nations have found the greatest difficulty in surmounting. Practically every portion of the world has borrowed capital from London, and the consequence has been a mighty stream of wealth, in the form of interest, which has flowed constantly and in great volume towards the little islands of Britain. With the growth of trade on the Continents of Europe and America, great accumulations of capital have been in process of creation and organisation, and at the present day Paris, Berlin and New York are all active and powerful competitors of London. Not only did Great Britain find it expedient and economical to go to America to borrow capital wherewith to carry on the recent war in South Africa, but so plentiful has capital now become in the hands of our rivals that New York was able some time ago to raise over a million at 2 per cent. Great Britain, although still in an extremely favourable position with regard to most countries, no longer enjoys that practical monopoly of capital which was hers but a few years back.

Next with regard to "materials". There was a time when the wool of England was in strong demand on the Continent of Europe. Those days are long past. Not only have the agricultural and animal products of Britain sunk into comparative insignificance in relation to the supplies of the world, but the people of the United Kingdom now draw the bulk of their raw materials from

over the seas. Economically, this is a seriously weak position, especially as it now involves the daily supply of vast quantities of food from abroad. The islands of Britain, however, are extremely wealthy in coal and iron—two of the prime factors of modern manufacturing industries, and the development of these materials and all they embrace has given to England's manufactures a considerable advantage, and has in a large measure restored the unfavourable balance consequent upon a dependence upon foreign nations for supplies of agricultural and animal products. The only drawback to the position is that the transport of so much essential material by sea involves the upkeep of a relatively very costly protective navy. Indeed, the position has now been reached when the maintenance of an overwhelmingly powerful navy has become essential to Britain's national welfare; and this involves an enormous expenditure of money by the State (extracted ultimately from the earnings of trade) out of all proportion to the size and population of the United Kingdom. Taking all these facts into consideration, remembering that Germany and the United States are possessed of more coal and iron than Britain, and further that the other chief raw materials of trade are as easily available to rival nations as to British manufacturers, we are forced to the conclusion that the United Kingdom is no longer in any position of superiority with regard to "materials". On the contrary her position has now become distinctly weak.

With regard to "labour"—mental and manual—Great Britain unquestionably held a remarkably strong position half a century ago. Not only were the work-

people of England trained to a degree of skill which no competitors could approach, but in trading experience, and in all departments of organisation, inventive skill, and brain power of a business character generally, the workers of England stood easily first. So marked a superiority in one of the essentials to wealth creation could only yield but one result—a marked superiority in the quality, quantity and economic cost of England's products. As long as Britain possessed this advantage, so long could she rely upon her superior abilities to enable her to hold her own against all competitors. Those times, however, belong to the past. At the present day not only has the whole world the benefit of Great Britain's manufacturing and trading experiences to guide them, but foreign nations have become rich in the human element to a degree that threatens the total eclipse of British superiority. Not only is the individual skill—manual and mental—of foreign nations on the whole fully equal to that shown by British workers, but they have a superiority in numbers that involves advantages of demand or market (and, therefore, a reduced cost of production) of very serious import to the producing interests of the United Kingdom. All which being so, we are forced to the conclusion that in the essential element of human "labour," Great Britain is now in a position of approaching inferiority.

We come now to the last and most important of the conditions essential to wealth creation, *viz.*, "demand". Demand, translated into the parlance of trade, is market. For many centuries the markets of the world were available to all who had the enterprise to discover and supply them. As Great Britain's supremacy on the sea

placed her in an exceptional position with regard to foreign markets, she long held a practical monopoly of all the best sources of oversea demand in the world. These, coupled with the markets created by the rapid growth in numbers and wealth of her own home population, afforded the most effective encouragement to industrial growth that could be devised. Thus expanding markets stimulated the application of labour to materials, and by the aid of cheap capital England advanced at an amazing pace. But here, again, we have to recognise that this phase belongs to past history. With the growth of foreign nations and the application by them of scientific principles to their growing commerce, they one and all decided to restrict the demand for England's products by erecting tariff walls that would, whilst yielding useful revenues, at the same time encourage their own industrial developments. Britain's Colonies, recognising the efficacy of such a policy, have done exactly the same, and India, too, would follow suit, were her manufacturing interests allowed a voice in the matter. Thus we have the spectacle of all the most advanced nations in the world adopting a policy the effect of which is slowly but surely to restrict that DEMAND on the free operation of which the continued prosperity of Great Britain's industries wholly depends. Further, as pointed out above, in the rapid growth of their own populations and the vast resultant home demands, foreign nations have acquired a position of economic strength that enables them to manufacture remarkably cheaply, and so to successfully compete with Britain in neutral markets, thus weakening the only sources of fresh demand remaining to British manufacturers. It is evident

then that so far from holding a position of marked superiority in respect to this most vital principle of wealth creation, the United Kingdom has arrived at a stage when the maintenance of "demand" has become a problem of annually increasing difficulty.

Reviewing the whole case we see that of the four conditions essential to the continued commercial prosperity of the United Kingdom, demand is hedged in on all sides and must become increasingly difficult to maintain; labour is no longer in a position of individual or numerical superiority; materials are the common property of our most powerful rivals; whilst capital, although still very strong, is now face to face with very great capital strength in New York, Paris and Berlin. In view of these facts it would be folly to imagine that Britain's position of economic superiority is exactly where it was fifty years ago. The following figures bearing on the material, labour and market resources present and potential of Britain and her chief competitors still further emphasise the coming dangers of our position:—

	Area.	Population.	Pop. per sq. mile.
The United Kingdom -	121,390	43,659,120	359
France - - -	207,050	39,252,300	189
Germany - - -	208,800	60,641,300	290
The United States -	2,970,230	83,941,510	28
Russia - - -	8,647,657	129,194,300	15

If area be any indication whatever of strength in materials, and if population can by any effort of statesmanship be made to yield a proportionate strength in

labour, capital and demand—presumptions that are in truth to a large extent certainties—it is plainly obvious that the destiny of the United Kingdom, if it elect to stand alone, is already sealed. No patriotic British subject can regard such a position with equanimity. Other great nations have brought practical science to bear on the development of their national resources. We must do the same.

IV.—THE RESOURCES OF THE BRITISH EMPIRE: THEIR ORGANISATION AND DEVELOPMENT.

If the Americans be right in principle, and if they be successful in practice, the whole policy of the United Kingdom is founded on a gigantic error which must some day lead to our ruin as a commercial nation.—Sir Lyon Playfair on the McKinley Bill in 1891.

The physical limitations of the United Kingdom determine beyond all question that Great Britain alone cannot possibly evolve sufficient demand, labour, materials and capital to withstand the coming economic and political pressure of nations of far greater population and natural wealth, and of over twenty times her size. If then the future of the Empire rested solely in the resources which the little islands of Britain alone could afford and secure, the destiny of Venice or of Holland must inevitably be repeated in the case of the United Kingdom. Fortunately the courage, enterprise and foresight of our ancestors, unhampered by any devotion to the Theory of Cheapness, have resulted in the acquisition of Imperial assets the organisation and development of which will enable us to uphold in the future that position of proud supremacy in which it has been our honour to glory for so long past. The following state-

ment gives in brief tabular form the particulars of the resources at our command. It represents the total area and population of the British Empire as compared with the world-Empires of those great nations with whom we are now living in daily economic or political rivalry :—

The British Empire.	Area sq. miles.	Population.	Density. No. per sq. mile.
In Europe - - -	121,509	43,882,825	36·6
In Asia - - -	1,906,303	301,293,316	158·5
In Africa - - -	2,595,253	43,878,621	16·9
In America - -	4,025,687	7,989,698	2·0
In Australasia, etc. -	3,184,531	5,623,375	1·8
Total, British Empire	11,833,283	402,668,835	34·1
The Russian Empire[1]	8,647,657	129,194,297	14·9
France[1] - - -	4,434,880	95,079,685	21·6
The United States[1] -	3,695,695	70,630,692	19·1
The German Empire[1]	1,236,600	73,327,278	61·1

The above figures are eminently satisfactory as indicating that within the limits of the British Empire there exist resources which, if intelligently and methodically organised and developed, will enable us not only to withstand every kind of economic and political pressure from without, but also to carry forward, uninterrupted, the world-wide work of progress and civilisation, and so attain, so far as man can ever hope to attain, the realisation of our loftiest ideals. To imagine that a problem of this magnitude and complexity is most likely to reach a satisfactory solution by abstaining

[1] Including all possessions.

from any effort at intelligent direction and guidance, is to reject the lessons conveyed by the whole of human experience. In no detail of man's daily existence, in no department of private or public life, in no branch of industrial, social or political activity do we work on the principle of letting everything drift on uncontrolled to assume such forms and shapes as the selfish play and cross-play of individual appetites, passions and ambitions may at length determine. On the contrary, bringing all the knowledge and experience we can command to bear on our subject, and erecting in our minds an aim or ideal that we elect to attain, we utilise all the resources at our disposal to bring about the speediest possible realisation of our object or ideal. So, too, we must act with regard to the British Empire. We want an Empire large and rich enough to support in case and comfort a greater number of more highly developed and more highly civilised men and women than any other Empire. This is our aim. To permit of an Imperial development of this character and magnitude we must be sufficiently powerful, from a political, naval and military point of view, to be able to resist any possible interference from nations of different characteristics and ideals from our own. This implies a costly Government and, as the cost of Government and of every step in the march of civilisation is provided solely from the surpluses of commerce, a very large, world-wide trade. The speediest possible development of this great trade is therefore one of the first matters we have to consider.

Were all the peoples of the various nations of the world engaged at the present day in an uncontrolled

struggle to secure each for themselves food, clothing and other commodities that their tastes and appetites demanded, it is probable that the individual and united wits of the several peoples of the British Empire would enable them to make as successful a fight for their own interests as the peoples of any other Empire. Where, however, certain groups, with ulterior motives, submit to restrictions and curtailments of liberties in the furtherance of schemes that involve danger to neighbouring groups, it behoves all to be on their guard, and to take such steps as may be necessary to preserve their respective national interests. This in brief is the position of the world at the present day. Great Britain has elected a commercial policy that has resulted in her becoming dependent upon oversea supplies for her daily food. For payment of this daily food, and for the further advancement of her commercial and political status, she now relies mainly upon the success with which she can sell goods manufactured by her largely from raw products also obtained from over the seas. But the other great nations of the world (including the whole of Great Britain's own Colonies) have for various reasons decided to manufacture as much as they can within their own limits. To attain this end they have deliberately shut their doors (as far as may be convenient to themselves) against British manufacturers. Their policy has been wholly successful, and the time has now come when the expansion of their manufactures is jeopardising the expansion of Great Britain's manufactures. Remembering Great Britain's serious dependence upon her selling the products of her workshops, it is imperative that steps be taken at once to defend

her against this world-wide State-aided competition, and to provide against the risks to her inseparable from the growth of rival nations of great industrial and political strength.

The first thing we have to remember is the machinery of Government. Of the £140,000,000 that were expended by the United Kingdom on this account in 1905-6, £29,000,000 represented the cost of the army; £30,000,000 civil administration; and £33,000,000 the navy. Of the expenditure on the civil services we need here say nothing. With regard to the army and navy, the fighting strength of these forces must bear some recognised proportion to that of our chief competitors. Rival nations are annually spending more and more on their respective armaments. Their commerce can afford it. Great Britain must therefore do the same unless she is prepared to face a relapse to a position of inferior world power plus an accompanying risk of possible annihilation. Especially is this true with regard to Britain's navy. The continued advance of British commerce therefore becomes a matter of supreme importance. It is true that the British Empire in America, in Australasia and in Africa does not at present contribute to defensive armaments a sum anything approaching what the potential values of the lands in question demand. This, however, does not so much mean that the Colonies are not contributing their due share to the Imperial burden, as that every effort should be made to encourage the speedy development (and therefore revenue-yielding capacities) of all the outlying territories of the Empire. This feature of the great Imperial problem—the encouragement of commercial

developments because of the necessity to find means wherewith to provide naval and military armaments powerful enough to resist all possible attacks by foreign rivals—is a matter which emphasises in the most striking and practical manner the necessity for reforming Great Britain's present inadequate revenue tariff.

Deferring for the time being all detailed consideration of the particular methods by which the £140,000,000 to £150,000,000 per annum for the upkeep of Great Britain's Government can best be abstracted from the earnings of commerce, we can once more turn to the resources in men and material which the whole of the British Empire at present offers, and glance briefly at the means by which a scientific Imperial commercial policy can turn those resources most rapidly to account. As we have before seen, capital, materials, labour and demand are the four pillars on which all wealth creation rests. A scientific treatment of each of these four essentials on broad, Imperial lines, and with the object of bringing about the most rapid advance in commercial developments, is the policy now advocated. Strangely enough, whilst the soundness and expediency of such a policy is freely recognised in certain aspects, it is by some people strongly opposed in others. This inconsistency can only be attributed to a deficient apprehension of the whole bearings of successful commerce on the social and political advancement of the nation. A further consideration of the matter cannot fail to remove most of those difficulties which advocates of Britain's free trade see in the way of a change in the present policy of the mother land.

First with regard to capital. The desirability of

public money being used in the construction of roads and bridges is everywhere admitted. In the United Kingdom, Government undertake also post and telegraphic services. In India vast capital sums are devoted to irrigation and railways, and the policy is one that meets with warm approval on all sides. The loan of Government capital with the object of bringing about the construction of such national assets as the Cunard Line steamers *Lusitania* and *Mauretania* is a variation of the same principle of encouraging by State-aid developments which, whilst profitable to individual members and industries, at the same time give power and strength to the nation as a whole. The principle is a thoroughly sound one, and there are various ways in which it can be applied to the great benefit of all concerned. Recognising the power and vital character of all capital—private as well as national—any policy that tends to encourage its accumulation without injury to superior interests, or that attracts it to assist in the development of commercial enterprises within the Empire, is obviously desirable and worthy of support.

Turning to the next essential to wealth creation—materials—their presence, production and cultivation are matters of such extreme importance that they demand the very closest attention by the State. Those articles of food, clothing and shelter, without which human life could not be supported, must be obtained at all hazards; and, because of their vital import, preferably from within the Empire. Whilst other nations have all recognised this point, Great Britain has allowed the matter to drift, with the result that, politically, her position is now dangerously weak. This must be

remedied. Public opinion (in Great Britain) has at last recognised the situation in the efforts that are now being made to extend the area of wheat and cotton cultivation within the limits of the Empire. A State interest has also been recently shown in sugar. A wise statesmanship will review the whole position, and will directly encourage at the public expense the production within the Empire of those materials of the greatest value to the Empire as a whole. In this connection the ability partially to withhold from rival nations (by means of export duties) raw materials essential to their manufactures, as a means of retaliation upon those who shut out Britain's manufactured products, must also be carefully considered.

We come now to the third essential—labour. In this respect the British Empire is exceptionally wealthy. It is one of the first objects of an Imperial commercial policy to encourage commercial developments, and as such developments imply more opportunities for labour —mental and manual—workers of all types should warmly support this policy. The desirability of giving State-aid to labour is everywhere admitted, and education of all kinds at the expense of the nation is the form which this assistance most generally takes. The duties of the State with regard to labour might well be extended in the direction of transporting population from districts where opportunities were deficient to others where employment appeared attractive, or nationally desirable. The steady stream of emigration from the United Kingdom to the United States, whilst neighbouring territories in the British Empire were thirsting for hands and brains, is an example of strength lost to

us owing to the deplorable absence of a scientific and statesmanlike policy with regard to the human element in wealth creation. It is not too late to establish a policy of State-aided emigration. Opportunities are plentiful, and the Empire cannot afford to allow its sons to leave her in search of commercial opportunities elsewhere.

The last essential to wealth creation—demand—is the one that, most easy of guidance in the public good, has in consequence received in recent years the largest share of attention at the hands of every nation in the world—except Great Britain. The British Empire affords such unique opportunities in this particular department of wealth production that special attention must be devoted to the same. In the meantime, for the consideration of those who may still believe that any State action in respect of the demand for the products of trade would have to be paid for by trade, and would therefore increase the difficulties of traders, it may be pointed out that State action with reference to labour, materials and capital has also to be paid for, and is now actually so paid for by trade. Yet the commerce of Britain continues to expand. Why should State action in respect to one of the essentials of wealth creation be economically unsound, whilst similar action with regard to the other three essentials be everywhere recognised as admissible and beneficial?

V.—IMPERIAL DEMANDS, ACTUAL AND POTENTIAL: MR. CHAMBERLAIN'S SCHEME FOR THEIR DEVELOPMENT.

> Mr. Chamberlain is right in so far as he says that things are not well in this country. We cannot feed the hungry with statistics of national prosperity, or stop the pangs of famine by reciting the prodigious number of cheques passed through the Clearing House. We have therefore got to propose something better than Mr. Chamberlain (if we can).—Mr. Lloyd-George, M.P., 6th January, 1904.

Our brief review of Great Britain's current commercial policy has shown that present-day advocates of free trade readily recognise the expediency of State action with regard to three of the essentials to wealth production. Labour, materials and capital are all subjects of State care and State use; and that, too, of necessity at the expense of the whole community. The assistance of the State in respect of the fourth essential, demand, must now be considered.

The creation in the human breast of new wants and desires is, as we know, the secret of all progress and civilisation. Grant the existence of a demand, and an effort to satisfy that demand is the inevitable sequence. The vast sums spent by all modern nations on education are an example of State efforts that result not only in increased efficiency so far as the mental and manual

labour element is concerned, but in what is of even greater importance—increased wants and desires, increased demand. Translated into the language of trade, this means new and expanding markets—the mainspring and source of all industrial prosperity. State expenditure for the creation of new demand in this way is recognised to be good—even by the most rigid of free traders.

Now if we glance at the total populations of the whole of the British Empire as compared to those of the other leading Powers of the world, we find the position to be as follows :—

The British Empire - - - - -	402,668,835
The Russian Empire - - - -	129,194,297
France and the French Colonies - -	95,079,685
The United States - - - - -	70,630,692
The German Empire - - - -	73,327,278

These figures make it quite obvious that considering our own resources only, leaving aside those afforded by other Empires, or by peoples not included above, the British Empire already embraces within its own boundaries sufficient human element to produce, if adequately educated, a sum total of demand far in excess of that possessed by any other nation in the world. Were the Empire to limit its State endeavours to nothing beyond the State education of the whole of its 402,000,000, the result would be a world-wide demand without precedent in the history of nations. If, extending this principle of State-aid to the guidance and encouragement of such demand as already exists, Great Britain were also to adopt a system whereby this demand could be so controlled as to focus it on those portions of the Empire best able to satisfy it, the result would be a stimulus to

commercial expansion—a rapid access of material wealth, and a general development of our social, economic and political forces—that would carry the British Empire more speedily in the direction of our ideal than any other State policy that can be at present devised.

Fortunately this fact has already been clearly recognised by the peoples of Canada, of Australia, of New Zealand, of South Africa and by the better informed amongst the intelligent millions of India. All the self-governing Colonies have expressed their anxiety to formulate an Imperial scheme based on a recognition of this principle, and most of them have taken the first steps in the required direction. If we may judge by the utterances of such able and far-seeing thinkers as the late Mr. Justice Ranade, the Hon. Dr. Rash Behari Ghose, Mr. Romesh Chunder Dutt, Mr. Subramani Iyer, the Hon. Sir Pherozeshah Mehta, H.H. the Gaekwar of Baroda, the Hon. Maharajah Sir Jotindro Mohan Tagore and others, the people of India are similarly anxious to bring science and the experience of the whole world to aid in the construction of an Imperial commercial policy for India. When we regard the present populations of the British Empire in Africa, America and Australasia, and reflect upon the certainty of these populations being doubled and trebled in the course of a comparatively few years, we see still more cogent reasons for the immediate adoption of a policy of scientific State control with regard to that essential, demand, upon the expansion of which it is not an exaggeration to say that the future of our Empire mainly depends. The only stumbling-block at present is a section of the inhabitants of the United Kingdom, who,

whilst permitting State action with regard to three of the essentials to wealth creation, and State action up to a certain point with regard to the fourth and most vital essential, at the same time illogically hesitate to accept *in toto* the balance of a principle, seven-eighths of which they are already embracing!

However, the leaven is working. Four years ago England's greatest Colonial Minister put forward a scheme for guiding and controlling British demand, whereby the United Kingdom could be introduced to the necessary change of commercial policy so gently as to be almost imperceptible to the consumers of Britain. This scheme we shall now examine. To make its operation quite clear, it is necessary to recall the method by which Great Britain at present collects the revenue necessary for the maintenance of its Government (an efficient and powerful Government being a condition antecedent to continued and successful wealth creation). The £140,511,955 which the Government services of the United Kingdom cost in 1905-6 was provided approximately from the following sources:—

Customs and Excise Duties - - -	£64,705,000
Property and Income Tax - - -	31,350,000
Various Inland Revenues - - -	23,820,000
Post Office and Sundries, say - - -	20,636,955

Customs and excise duties are collected principally on spirits, beer, tobacco, tea, sugar, wines, etc. Britain's customs duties range from 25 to 300 per cent. *ad valorem,* and the effect of the present tariff is that the inhabitants of the United Kingdom pay 12s. 2d. per head in indirect taxes as compared with 11s. 8d. paid in this way by Americans and 8s. 2d. by Germans.

Thus England's present tariff is in truth very onerous. The other contributions, although not levied directly on articles of trade, are of necessity yielded in the last resource from the surplus earnings of trade. Which means in simple language that British commerce is sufficiently remunerative to permit of over £140,000,000 per annum being withdrawn from its surplus earnings without checking its further development. The distinguishing characteristic of this unique fiscal system is that it is so devised as to yield no other result than the revenues required by Government. As well might the inhabitants of a village on the banks of a mighty stream imagine they had exhausted the uses that the river could serve, when they had drawn their daily drinking supply therefrom. Others with greater knowledge and ingenuity would perceive the value of the river for fishing, transport, irrigation, motive power, etc., all of which could be undertaken without necessarily depriving our villagers of a single drop of their drinking supplies. So, too, with the streams of commerce. They can be utilised to yield not only the revenue necessary for Government, but also for a variety of other ends; and that, too, without diminishing by one jot the magnitude of their volume. As a matter of fact, the people of Britain already employ them a little, as we have seen, for encouraging labour materials and capital. Other nations go further and use them for augmenting the demand for their own home products. It is this last policy that we have now to develop. The means employed is a tariff discriminating between the goods it is advantageous to receive and those against which, in the interests of home producers, it is desirable to

raise a certain barrier. Thus can demand be guided and utilised.

Mr. Chamberlain's proposals for the United Kingdom, outlined in a great speech delivered at St. Andrew's Hall, Glasgow, on the 6th October, 1903, are as follows:—

Taxes to be reduced:—

Three-quarters of the duty to be taken off British tea.

Half the duty to be taken off British sugar.

Corresponding reductions on British coffee and cocoa.

A substantial preference for British wines.

New duties to be imposed:—

A low duty, not exceeding two shillings a quarter, on foreign corn.

A corresponding duty on foreign flour.

About 5 per cent. on foreign meat except bacon.

Five per cent. on foreign dairy produce.

An average of 10 per cent. on foreign manufactured goods varying according to the amount of labour expended in the making of the goods.

No duties were contemplated on maize or on any raw materials.

Of the suitability of this scheme to the requirements of the United Kingdom it is not proposed here to enter; suffice to say that Mr. Chamberlain contended that it would not only impose no burden whatever on the poorer classes of Great Britain, but it would probably involve some gain to the revenues of the home country and consequently a possible reduction in taxation.[1]

[1] *Vide* Appendix A.

Whether these latter anticipations are likely to be realised or not, the proposed tariff reform has this special feature to recommend it: whilst yielding the £140,000,000 to £150,000,000 essential for the maintenance of the Government of the United Kingdom, it discriminates between those goods which have their origin in the British Empire and those the production of which gives employment, profit and strength to rival nations. In other words, by encouraging the home "demand" for British products, it completes Great Britain's recognition of the important principle that where powerful rival Powers employ State-aid to augment their commercial progress, it becomes imperative for the whole of the British Empire to do the same. By guiding and stimulating the British demand for British commodities in exactly the same way as we already—directly and indirectly—encourage the growth and efficiency of British labour, British materials and British capital, we shall be adopting in its entirety a wise Imperial policy of a very efficient and far-reaching character.

The Indian commodities that would be affected by the acceptance of Mr. Chamberlain's proposals for the State guidance of British demand are wheat, tea, coffee and certain manufactured goods. Taken altogether these form a substantial portion of India's export trade. It will be convenient to consider forthwith the probable effects of the proposed scheme of tariff reform on British trade in these articles.

VI.—THE PROBABLE RESULTS OF MR. CHAMBERLAIN'S PROPOSALS ON THE TRADE OF INDIA.

By simply abolishing the present duties (in England) on tea and coffee produced within the British Empire, the Government of the United Kingdom could free the British workman's breakfast-table of a tax-burden which would largely compensate for any temporary effect of a duty levied on foreign wheat. Any rearrangement (of taxation) on such a compensating basis would have a tendency to increase the food supply from British dominions.—MR. GEORGE E. DRUMMOND (Montreal) at the Sixth Congress of Chambers of Commerce of the Empire, July, 1906.

THE principal Indian industries that would be likely to be affected by the adoption in the United Kingdom of Mr. Chamberlain's proposals of the 6th October, 1903, arranged in the order of their monetary importance to India, are jute manufactures, tea, wheat, coffee and sugar. The following table exhibits the exports of these commodities from India in 1906-7, and the approximate percentages taken by the British Empire and by foreign nations based on information afforded by the Government of India's despatch, No. 324, of the 22nd October, 1903.

	Total Exports, Lakhs of Rupees.	Approximate percentages taken by		
		United Kingdom.	Other British Countries.	Foreigners.
Jute manufactures - -	1,571	14	32	54
Tea - - - - -	986	90	5	5
Wheat - - - -	984	53	1	46
Coffee - - - -	99	61	5	34
Sugar - - - -	8	70	25	5

Taking jute manufactures first, the largest buyer of Indian jute fabrics is the United States, who, in consequence of a heavy import duty on bags, take what they require mainly in the form of cloth. As is well known, the jute industries of Scotland have been severely checked by the growth of jute factories in Bengal, and more particularly by the far-seeing commercial policies of foreign nations, who by aid of their scientific tariffs have managed to secure a valuable raw product of which we hold the monopoly, to shut out our products manufactured from this article, and now to supply markets that were once the monopoly of British manufactures with this same product manufactured by themselves! The striking lesson conveyed by this extraordinary development will be referred to hereafter. In the meantime we can proceed with our examination of the position in the United Kingdom, the value of whose imports of jute manufactures for the five years ending 1904 were as under :—

Year.	From India.	From Foreign Rivals.
1900 - - -	£1,979,000	£172,000
1901 - - -	2,071,000	138,000
1902 - - -	1,838,000	157,000
1903 - - -	2,237,000	130,000
1904 - - -	2,063,000	145,000

Were a discriminating duty of 10 per cent. or more levied in the United Kingdom on jute manufactures imported from foreign countries, the result might be to divert some small percentage of trade to British channels. Seeing, however, that so large a proportion of Britain's importations are for the purpose of re-exportation, even this result is open to some doubt. In any case the immediate advantage to the Indian jute industry would be nil, as it would matter but little to Bengal jute interests whether their product was bought by Great Britain or by, say, Germany, Belgium, France or the United States, so long as they were able to find a satisfactory market for their goods.

India's exports of tea in 1906-7 were 233,706,756 lbs., valued at Rs. 986,62,354, the highest figures on record. Of this quantity the United Kingdom took 75 per cent.; Canada, Australia and Ceylon 12 per cent.; and foreign buyers the remaining 13 per cent., of whom the chief was Russia (6 per cent.). The percentage taken by the United Kingdom tends continuously to diminish. At the time of the Government of India's despatch on this subject (22nd October, 1903) India and Ceylon between them divided more than 90 per cent. of the tea imports of the United Kingdom. In face of this fact it was felt

that although a reduction in the duty then current, sixpence, would probably stimulate consumption, and so benefit Indian interests, there was very little room for preferential treatment as such. The duty has now been reduced to fivepence. Mr. Chamberlain's proposal involves the abolition of three-quarters of this duty. Such a change would assuredly benefit the Indian and Ceylon tea interests not only by greatly increasing the home demand for British-grown tea, but also by putting the British grower in India and Ceylon in a position of considerable strength for competing with his foreign rivals.

With regard to wheat, the United Kingdom at present draws its main supplies from Russia, Argentina, the United States and India. The United States, which used to be the chief supplier, is steadily dropping to an inferior position in this respect, a larger and larger proportion of American wheat being required for home consumption. The following statement of wheat imports to the United Kingdom is of interest (the figures are millions of hundredweights):—

Source of Supply.	1904.	1905.	1906.
From—			
India - - - - - -	25	23	13
Australia - - - - -	10	10	8
Canada - - - - - -	6	7	11
	—	—	—
Total British Empire, say - -	42	40	32
Russia - - - - - -	24	25	12
Argentina - - - - -	21	23	19
United States - - - - -	7	6	22
Other Foreigners - - -	4	4	8
	—	—	—
Grand Total -	98	98	93

Seeing that so large a proportion of India's wheat is sold to foreign nations, and that the United Kingdom only draws about one-quarter of its supplies from its chief Dependency, there is room for a considerable diversion of Indian wheat to the United Kingdom. A diversion of the export stream from the Continent of Europe to the islands of Britain would, however, be of no benefit to India *per se* unless it was followed by some rise in price not otherwise secured. Now a rise of price consequent upon an import duty of two shillings a quarter on foreign wheat imported into the United Kingdom is very improbable, seeing that competition from all quarters would be as keen as ever and that the duty would be only leviable on about 50 to 55 per cent. of the total supply. Allowing the utmost theoretically possible under the circumstances, the rise could not be more than one-half the duty imposed, that is to say, about one shilling a quarter. Although expert evidence leans to the conclusion that the margin created by the proposed duty would be ample to give the Canadian wheat-grower an effective advantage over his American competitor south of the border line, there can be no two opinions that a rise of one shilling a quarter, even if it occurred, would have little or no effect in encouraging the more rapid extension of wheat cultivation of India where the crop, already extremely popular, is expanding as rapidly as local conditions will permit. We are forced to the conclusion, therefore, that so far as wheat is concerned the proposed preference in the United Kingdom would have little or no practical effect on Indian production and export.

We come now to coffee. Of the total exports from

India about one-third is taken by France, and that, too, notwithstanding a high French import duty. A reduction in the English duty might divert some of this trade to the United Kingdom, but the diversion in itself, unless accompanied by some increase in price for India, would be of no direct benefit to the Indian coffee-planter. As in the case of tea, however, lower prices, consequent upon a reduction in import duty, would probably stimulate home consumption, and this would be a distinct advantage to India.

Lastly, we come to sugar. India's export trade in raw sugar was once of considerable dimensions. Uneconomical methods of production in India combined with the competition of bounty-fed beet-sugar from Europe have resulted in the partial collapse of this once great export trade. The removal of one-half of the duty at present levied in the United Kingdom on the inflow of this important article of food would directly or indirectly give a much-required fillip to India's sugar industries, and would therefore be of distinct advantage to British interests in the East, to make no mention of British sugar interests in other parts of the Empire.

Summarising, we find that the immediate results upon the trade of India of the adoption by the United Kingdom of Mr. Chamberlain's scheme of 1903 would be somewhat as follows:—

Indian Industries.	Probable Results.
Jute Manufactures.	No effect.
Tea Industry.	A marked encouragement.
Wheat Exports.	Little or no effect.
Coffee Industry.	An encouragement.
Sugar Industries.	A slight encouragement.

Tea and coffee then may be regarded as the only industries that would be likely materially to benefit by the adoption of the particular preferential trade scheme outlined by Mr. Chamberlain four years ago. The values of the exports of these articles were approximately 5·4 per cent. and ·5 per cent. of India's total export trade in 1906-7, so that, on the whole, the probable benefits to India would be extremely small. The fact, however, that these benefits are unaccompanied by any suspicion of disadvantage to India, and that the industries concerned are those which afford employment to Europeans as well as Indians, should decide us to give our undivided support to a scheme, admittedly tentative in character, and obviously so outlined as to satisfy current political conditions in the United Kingdom rather than benefit India, or give full effect to an Imperial policy at present but in embryo. In submitting his sketch plan of October, 1903, Mr. Chamberlain made no reference to India, and indeed with the exception of Sir Roper Lethbridge's recent work, no attempt has yet been made by the advocates of an Imperial trade policy to allot to India her exact position in such a policy. When inviting the views of the Government of India on this subject in his telegram of the 7th August, 1903, Lord George Hamilton specifically restricted the scope of the inquiry to "the point of view of Indian interests". With this limitation before them, it was impossible for the Government of India to take that broad Imperial view of the matter without which any investigation of merely local interests becomes of but small account. This deficiency we now propose to attempt to fill. We shall attack the problem

not merely from the point of view of local interests, which are, after all, of necessity subordinate to Imperial requirements, but rather from the aspect of the pilot who, regarding the British Empire as one great whole, is desirous of steering his Imperial vessel safely clear of all dangers threatened by the presence of other powerful and skilful navigators—commanders who may not always perhaps show us the same consideration in our weakness as they will be forced to do in our strength.

VII.—INDIA'S REAL STRENGTH. ITS INTELLIGENT CONTROL FOR IMPERIAL ENDS.

We cannot regulate the sunshine and the shower, the seed-time and the harvest; that is beyond the power of man. But we can control to some extent the disposal of the products of the earth, thereby opening avenues to employment and spreading greater prosperity over the land.—Sir John P. Hewett at the Industrial Conference (Naini Tal), 19th August, 1907.

It is now assumed that the vital importance of successful trade in the process of economic and political expansion is recognised; that the inferiority of the physical resources of the islands of Britain for the purpose of trade developments as compared with those of our greatest national rivals is fully admitted; that the inevitable consequences of this inferiority upon the relative magnitude (and *ergo* the national strength and political status) of the United Kingdom in the near future is clearly foreseen; and that the desirability of combining in one organisation or federation the whole of the resources of the British Empire, in order to correct this approaching position of national inferiority, is therefore accepted as beyond question. Perceiving the essential factors of wealth creation to be *demand* acting by aid of *capital* upon *human labour* and *raw materials*, we know that an intelligent cultivation and guidance of not only one or two, but of the whole of these factors, towards

the realisation of a definite Imperial ideal, is more likely to achieve the desired end than a policy of mere drift, whereby our destiny as an Empire is left to the outcome of a play of individual forces striving, not for Imperial ends, but simply for private profits.

A brief survey of the area and population of the British Empire in comparison with those of our four most powerful neighbours has satisfied us that we already control resources of sufficient magnitude to place us in a position of undisputed superiority, provided only we organise those resources with the necessary skill and foresight. A comparison of the main divisions of the British Empire will show us that at present India is *facile princeps* in the matter of population, wealth, internal and foreign trade. The following figures speak for themselves :—

	Total Foreign Trade (Millions).	Population.	Area sq. miles.
India - -	£211·8	294,317,082	1,766,517
Canada - -	96·5	5,683,396	3,745,574
Australia -	95·1	3,875,656	2,946,358
South Africa	60·7	5,786,262	765,783
New Zealand	28·4	888,639	104,751

The above statement makes it quite clear that at present the interests of India rank first in importance of all Great Britain's dependencies. They are in truth only second to those of the United Kingdom itself. It follows that where local interests clash with Imperial interests, and local demands have to be subordinated to Imperial requirements (and no Empire can exist without

some such subordination), those of India command the weightiest consideration after those of the United Kingdom. Conversely, as India at present stands to lose more than any other portion of the Empire by any unforeseen catastrophe to British power, it follows that where any local action or sacrifice of local interests may be necessary in order to support or carry forward the supremacy of the Empire as a whole, in no part of the world does Imperial patriotism demand more spontaneous, unselfish and whole-hearted effort than in India. And, it is a satisfaction to add, in no part of the Empire have such efforts in the past been more readily offered and more freely accepted and more thoroughly appreciated by the great minds of the mother land.

In commencing our survey of India as the principal factor in any Imperial commercial policy calculated to affect the welfare of the United Kingdom, we are at once impressed by the mightiness of the resources at our command. We see a vast expanse of naturally rich territory over 1,750,000 square miles in area—larger in fact than the whole of Europe excluding Russia—watered by some of the noblest rivers in the world and supporting roughly 300,000,000 people—more than the population of all Europe excluding Russia, and approximately one-fifth of the whole of the human race. Next we bring before our mind's eye the 109,000 square miles—an area practically as large as Italy—devoted solely to the production of rice; then 50,000 square miles—equal to all England—producing millets (*jowari* and *bajra*); next the 31,000 square miles, say the whole of Portugal, under wheat; the 16,000 square miles (the equivalent of Denmark) given up to the

cultivation of cotton; the 4,700 miles under jute; the 4,400 miles under sugar-cane; and so on. Then we recall the many millions sterling that India can command by the sale of these valuable products, and by the disposal of her surplus oil-seeds, her tea and coffee, her hides and skins, her lac, indigo and spices, to make no mention of wool, silk, timber, tobacco and a host of minor commodities everywhere in strong demand. Nor must we forget that she possesses coal and iron in abundance—9,735,010 tons of the former were raised in 1906, whilst the manufacture of the latter is now receiving attention by the brains of some of her most distinguished sons. Gold, too, she possesses in handsome quantities—over 322 lakhs of rupees worth being unearthed in 1906-7. Further, many of her resources are being developed with an energy and success that cannot fail to extort a tribute of admiration even from experienced England. Jute manufactures to the value of over £10,000,000 sterling were exported in 1906-7, whilst nearly £14,000,000 have been already invested in cotton mills, the annual yield of which is now of substantial proportions.

Obviously a territory of this magnitude and natural wealth, peopled by so numerous and industrious a population, and capable of yielding materials of such great value to mankind, is of the very first importance to the British Empire. And if trained intelligence and experience, triumphing over the forces of ignorance and illogical conservatism, at length recognise the expediency of no longer restricting the operations of Government to the encouragement and development of three and a half out of the four essentials to wealth

creation, the part which India is able to play in a comprehensive Imperial scheme for the commercial advancement of the British Empire is second only to that of the United Kingdom itself. Fortunately in the Government of India we have a phalanx of some of the ablest of Britain's administrative talent, and being to a certain degree free from the friction and restraint which inappropriate political mechanism at times creates in the working of the supreme Government at home, we see the functions of the State more broadly and intelligently exercised in India than in perhaps any other portion of the Empire. Taking, for example, the four essentials to commercial progress—demand, labour, materials and capital—we find each the object of the special solicitude of Government in India; and although it is not for a moment assumed that we are anywhere within measurable distance of perfection (Can imperfect man be ever so?) or that the actions of Government are beyond criticism, it is an indisputable fact that State activity has in India taken forms which other portions of the Empire might do worse than study. With regard to capital, Government has endeavoured to arouse the interest and energies of the individual to its vital importance by the creation of agricultural banks formed and controlled by the people themselves. In another direction, Government has aided individual concerns by guaranteeing a certain return on private capital invested in commercial operations. Lastly, Government itself has freely employed State capital for the construction of canals and railways and for aiding public bodies to undertake works of public importance, to make no mention of telegraph and postal facilities, wherein most

nations act alike. Coming next to materials, the whole irrigation policy of the Government of India is directed incidentally to the increasing of the volume of raw products that India can yield. Further, special departments of Government are devoted to the study of agricultural and mineral matters with the object of affording to the public all the scientific and practical knowledge and assistance possible for augmenting the quality and range of India's material products. With regard to labour—mental and manual—State-aided technical and general education is devised to improve the former, whilst sanitary rules, famine codes and colonisation acts all bear testimony to Government's efforts to preserve and encourage the latter. In the case of demand—the genesis of all progress—the Government of India have taken action to place cheap education in the way of as many as possible (the only defect being that whilst primary education is sadly deficient in quantity, advanced education is unnecessarily excessive in quality). They have, although the mints are closed to the free coinage of silver money, manufactured and afforded to the public ample supplies of rupee currency which is, in fact, the chief instrument of demand in India. They have also, by the imposition of countervailing duties on beet-sugar, and by the exemption of certain commodities from the full operation of the 5 per cent. revenue tariff, fully recognised the expediency of influencing the demands of India's millions with regard to those commodities in response to considerations of superior importance than the unchecked gratification of public demand. In short, the Government of India have approached nearer to the scientific control of wealth

creation in the interests of the State as a whole than the Government of the United Kingdom. It only remains to carry the recognition of sound economic principles one step farther, by guiding and controlling the further commercial development of India and the United Kingdom not merely in the interests of India and the Mother Land, but also in the interests of the Empire as a whole, and we shall find ourselves in exact agreement with the State commercial policies of the rest of the British Empire and indeed of the rest of the civilised world. This can be done by means of a scientific tariff operating through the agency of both export and import duties. The consideration of such a tariff for India is the matter to which we must now devote attention.

Over large parts of Northern India, more particularly Sind and the Punjab, deficient rainfall has resulted in vast tracts of country lying waste, barren of vegetation and incapable of supporting either man or beast. In comparison with the green fields, prosperous villages and abundant populations that distinguish the great Gangetic plains farther eastward, the sterile wastes of Sind and the Punjab were hideous blots that sadly disfigured the northern portions of our great Indian Empire. Had our Indian rulers elected to ignore these tracts—after all, Nature's works, not man's—and to confine their attention to other portions of the country that held promise of far more profitable results, these wastes would have remained to this day barren, burning deserts, worthless alike to India and the Empire, and standing testimonies to an unenterprising and unimaginative administration. Fortunately other counsels prevailed.

The fact that great rivers flowed in the neighbourhood of the deserted tracts was sufficient to set men's wits working. Engineers examined the levels, chemists studied the soils. Science and art combined to supply that which Nature lacked. By the sacrifice of much time and forethought, and a liberal outlay of capital on brains, labour and the necessary constructive and executive detail, huge canals with hundreds of branches and minor distributories were designed and successfully carried to completion, so that the invaluable river waters now flow by a thousand channels to nearly every portion of the before uninhabitable wastes, affording everywhere a plentiful supply of fertilising, silt-bearing moisture. And with the result that what was before barren and useless country has now become fertile and valuable in the highest degree, supporting happy and contented populations that run into millions, and yielding valuable crops, some of which (wheat and cotton, for example) are of vital importance to the welfare and well-being of the Mother Land.

The moral is obvious. The commerce of the world, arising in tiny streamlets and from a myriad sources, flows onward in mighty rivers, giving health, strength and happiness to all fortunate enough to understand the navigation. In their progress, if untended, they not infrequently break from their old courses and find new channels, much to the dismay of those unhappy folk left high and dry by the diversion. And just as in the cases of the great rivers of India it has been found possible by human skill and foresight to so control some portion of the stream as to encourage the growth and development of districts hitherto neglected and lacking

in population, so, too, with the commerce of the Empire, we can so far influence its course and volume as to encourage not only the growth of those parts of the Empire that, rich in nature's wealth, are at present lacking in the human element, but also those particular kinds and forms of industry which, whilst valuable to the locality concerned, are likely to prove of value in maintaining or augmenting the strength of the Empire as a whole.

And in the £90,000,000 of imports and £121,000,000 of exports that represent the full streams of India's external trade, what mighty rivers are flowing before us! British genius, which has achieved such marvels in the past, can surely find means and methods, without jeopardising in any degree the volume of these great currents, to so train some portion of their flow as to afford direct encouragement and benefit to British and Indian interests, in and out of India, rather than allow the whole to be discharged uncontrolled into that vast commercial ocean of which Great Britain has no special monopoly, and whereon subsidised argosies are already endangering some of our most valued prospects. Let us try.

VIII.—INDIA'S IMPORT STREAM. THE CHIEF CURRENT.

Our great objects can be secured if the country is willing to abandon the superstition that tariffs are only defensible when they contribute to the revenue, and that if it can be shown that a tariff providing the revenue of the country does incidentally assist any industry or encourage the development of our commerce, then it is an immoral thing which we are not entitled to consider. That is a superstition which has been discarded by other great nations of the world. They use their tariffs, scientifically constructed, in order to increase their trade and develop their industries.—MR. CHAMBERLAIN, London, 16th January, 1904.

IN the construction of a scientific tariff it must not be supposed for one moment that the idea is to entirely withhold or exclude any given commodity, any more than the engineer working to utilise the force of the current of a great river expects to entirely check the flow of such river. The idea is to turn the running stream to some account for the attainment of a specific end—irrigation or power transmission. In exactly the same way, our aim in guiding or controlling market demands is not to annihilate those demands but simply to so utilise them as to bring about more rapid, extensive and diversified commercial developments in certain given localities, *i.e.*, within the limits of the British Empire. This is the aim we have in view in critically examining

the import and export streams that represent the flow of India's external trade. First we propose to consider the import stream—its nature and volume, its sources, its tributaries and its destination.

For the year 1906-7 the principal commodities imported into India arranged in order of their monetary values were as under (the figures are lakhs of rupees):—

Cotton Manufactures	4,091	Apparel - - -	211
Sugar - - - -	873	Woollen Manufactures	205
Iron and Steel - -	755	Silk Manufactures -	182
Machinery & Millwork	579	Spices - - -	143
Railway Material -	415	Copper - - -	139
Hardware and Cutlery	266	Glass and Glassware -	121
Mineral Oil - -	242	Instruments, Apparatus	119
Provisions - -	242	Spirits - - -	98

These were followed by precious stones and pearls, carriages and carts, paper and pasteboard, timber, drugs and medicines, aniline and alizarine dyes, tobacco, chemicals, salt, matches, beer, silk, paints and painters' materials, coal, cotton, horses, stationery, etc., of steadily diminishing values, the last being Rs. 40,40,000.

Of the total imports 66·8 per cent. had their source in the United Kingdom, the other streams coming principally from Germany (with 5·3 per cent.), Belgium (4 per cent.) and ten minor tributaries of a magnitude which can be judged by the following list:—

	Per Cent.		Per Cent.
Austria-Hungary -	2·8	Japan - - -	1·5
Java - - - -	2·7	China - - -	1·4
Straits Settlements -	2·6	France - - -	1·4
United States - -	2·3	Italy - - -	1·0
Mauritius - -	2·0	Russia - - -	0·1

Including Mauritius we see that 68·8 per cent. of the imports may be regarded as of British, and the balance, 31·2 per cent., of foreign origin. In this latter

we have the first rough indication of the proportion of the current which, whilst undoubtedly benefiting the people of India, is at the same time a source of strength and profit to peoples outside the Empire who are by no means so keenly interested in British interests as we. Can we turn this knowledge to account?

The present Indian Tariff Act has been officially described as "entirely free from any trace of preference and from any protective intention. With the exception of a very few specially rated articles, of which the chief are petroleum, salt and wines and spirits, its ruling feature is a low duty of 5 per cent. *ad valorem*, which in the case of cotton piece-goods is reduced to 3½ per cent., and in the case of iron and steel to 1 per cent. The free list is not very extensive, but includes the important items of machinery, cotton twist and yarn. In the case of cotton piece-goods and of salt, an excise duty is imposed of an amount equal to the import duty. While we do not deny that, in theory, some minute protective effect may be attributed to our present system, yet we hold that such effect is quite insignificant in practice, firstly, because in the case of the largest article of import and in some minor ones an equivalent excise duty is imposed; secondly, because a large part of the imports consists of articles which, either in kind or quality, India does not produce at all; and thirdly, because our general import duties are on a very low scale, such as would in most continental countries be regarded as merely nominal. . . ." In other words, the Indian Import Tariff Act might not be inappropriately compared to stepping-stones thrown down in the bed of the import stream to enable the Finance Minister to cross

safely with his annual Budget. Beyond an almost imperceptible ripple here and there, the course of the waters is in no way interrupted. The little colourless currents of foreign manufactures and the preponderating volume of rich, silt-bearing British-made commodities flow, equally unobstructed, past the several foot-places. True, some of the larger stones are fashioned to cause a little less obstruction than others, notably those of Lancashire workmanship, but speaking broadly, the whole device in no way hinders the general course of the stream and it is thoroughly effective for the object for which it was devised. And, we may also add, in primitive simplicity, in ingenuous disregard for the uses to which the volume of moving waters might advantageously be adapted, it certainly resembles the old stepping-stones which to this day often satisfy the habits, conditions and requirements of certain country folk far removed from the great centres of industrial activity and modern progress and civilisation.

It is no new idea to attempt to control a portion of the flow of a river by the construction of a weir, a dam, or an anicut as it is called in India. In this way the level of the water can be maintained or raised as required, and the current or a part of it utilised to produce electrical power, drive machinery, irrigate the neighbouring land, and generally assist in the creation of wealth that, without its aid, would certainly be unattainable. The works, too, can be made to serve as a bridge that will enable the public to cross just as efficiently and far more safely and comfortably than by means of the old primitive stepping-stones. Do not these facts afford us a striking clue to the policy we

should pursue with regard to the import trade of the British Empire? In the case of India the analogy serves admirably, and in considering the possibilities of India's import stream, we shall therefore keep the work of the irrigation engineer constantly in mind.

It has been pointed out in a former chapter that arts and manufactures are more profitable, individually and nationally, than agriculture pure and simple; that all modern nations have recognised this fact; and that no country at the present day can hope to rise to any position of political and commercial eminence which does not possess many and large manufacturing industries. This being so, and remembering, too, the liability to famine to which a large dependence on agriculture already exposes many millions of the people of India, it is only natural and right that efforts should be made to encourage the growth of manufacturing industries in India. The great difficulties in the way of this desideratum are the enervating climate of most of the continent, the ignorance of the masses of the people, widespread caste and religious prejudices, and a general absence of desire for that multiplicity of material adjuncts which we of the West are accustomed to associate with progress and civilisation. These various conditions combine in producing races of country-folk on whom the prospect of possessing money very often exercises but little effect. To satisfy the cravings of hunger is their chief, and often only, care. This done, nothing will tempt them to long and arduous labour, involving a concentration of mind and effort, within noisy and (compared to the brilliant surroundings of outdoor life in the East) hideous, evil-smelling

workshops. These facts make the industrial development of India a slow matter compared to the marvellously rapid evolution we see in more temperate and invigorating latitudes.

When, then, we consider the desirability of erecting a weir to control the flow of that stream of imports with which we are now dealing, we feel at once that even if the general level of the prices of Indian imports were thus slightly raised all round, the resulting stimulus to Indian production would in all probability yield far less result than would the same process applied to, say, Great Britain. Already in India the one cry on all sides at the present moment is labour, more labour. The supply of work-people, notwithstanding the fact that in many parts of India agricultural labour is distinctly in excess of requirements, is everywhere still short of the demand. Indeed, to some extent, industrial progress is checked by the insufficiency of appropriate labour. Then, again, there is the question of capital. The people of India, speaking generally, have not yet grasped the principle of monetary co-operation. Ages of insecurity, the accompaniment of Eastern methods of life and Government, have implanted within them feelings of distrust which a century of British rule is only but slowly eradicating. And with the result that millions of rupees of capital are at this moment probably locked up hidden away in a thousand corners, that could, with wise application, be employed in the development of the natural arts and industries of the country. The aspects of the problem were ably summed up by Sir John Hewett in his eloquent address to the Industrial Conference at Naini Tal in August, 1907,

when he said: "We must educate people so as to divert their energies to industrial pursuits other than agricultural. We must educate skilled labour for all our industries. We must develop among our workmen an interest in their work to replace the feeling that the day's work is only done for the day's wage; and we must bring up educated foremen, supervisors and managers. We must encourage research into the potential value of our raw produce. Secondly, we must endeavour to overcome the shyness of capital, and success in this respect cannot be achieved unless the leaders of the people throw themselves enthusiastically into the work. . . ."

Notwithstanding the difficulties which these deficiencies imply, and in spite of the fact that for some years to come Indian manufactures would probably multiply but slowly in consequence of such a course, there can be no doubt, if only Indian interests be considered, a low import tariff of, say, 5 per cent. all round, on all manufactures coming into India (and no excise duties), would prove distinctly beneficial to this country. And in order to distinguish in a rational manner between those manufactures which gave profit to British industries and those from which Britain's rivals derived strength, an additional 10 per cent. should be imposed on all imports coming from sources outside the British Empire. In this way the great principle of Imperial trade preference would receive practical demonstration, and both India and the rest of the Empire would benefit thereby.

This conclusion is based on a consideration of Indian interests only. But there are other interests to be con-

sidered, interests which it will be remembered take precedence over those of this important portion of his Majesty's dominions, *viz.*, those of Great Britain and the Empire as a whole. If we recall to mind the nature and composition of the great stream whose waters we now propose to guide, we find that over two-thirds of the imports into India have their source in Great Britain. If, then, we take any step calculated to affect the whole of our import trade, Great Britain might possibly feel two-thirds of the results of that step. Without attempting to determine how far, if at all, such action would in practice be likely to check Great Britain's exports to India, we can say at once that the people of Great Britain, in whose hands the final decision rests, are not likely at present to assent to a measure of this kind. This fact is explicitly set forth in Paragraph 10 of the Government of India's despatch of the 22nd October, of which the following extract is the pith: "All past experience indicates that in the decision of any fiscal question concerning India, powerful sections of the community at home will continue to demand that their interests and not those of India alone shall be allowed consideration. . . . We cannot imagine that the merchants of Lancashire or Dundee, to mention only two interests, would be likely to acquiesce in such a course (*i.e.*, Indian import duties against England) even though it were accompanied by still higher duties against the foreigner, or that it would be accepted by the Home Government. We therefore dismiss this alternative as beyond the range of the present discussion. . . ."

Leaving for others to explain by what mental process

the manufacturers of Britain conclude that an Indian import tariff would injure their interests, whilst the import tariffs of the rest of the world have no effect on British trade, it will be wise for us as practical engineers, dealing with materials and circumstances as we find them and not perhaps as we should like them to be, to adopt the same conclusion as Government, and dismiss the further taxing of British goods from our consideration for the present. There still remains roughly a third of the stream on which we can work, say, £27,000,000 per annum. The buyer with £27,000,000 sterling a year to spend is a great power in the world. Can this sum be laid out in such a way as not only to satisfy the people of India but at the same time to further the producing interests of India, of Great Britain and of the Empire as a whole? That is the problem.

IX.—THE IMPORT STREAM—THE MAIN TRIBUTARIES.

The power possessed by the British Empire over foreign nations by its possession of a great market—a market to be opened or closed to some extent or any extent—is little realised (in Great Britain); but the most casual observer must recognise the strength of the Empire's position which is certainly enormous, should all its component parts, combining together, use their power to meet the fiscal attacks of foreign nations upon any portion of the Empire.—The Hon. Alfred Deakin, Prime Minister of Australia, at the Colonial Conference, 30th April, 1907.

The two foreign manufactured commodities upon which India spends more of the £27,000,000 per annum than on any other are oil and sugar—both in large demand by the peoples of India, and both largely produced by their fellow British peoples within the boundaries of the British Empire. Taking oil first, mainly mineral oil, we know that the consumption in India is at least 114,000,000 gallons per annum, costing some 415 lakhs of rupees. We know that every drop of this oil is useful, and that every rupee spent thereon yields some profit or satisfaction to the purchaser. What is not always so clearly realised is that every rupee received therefor also yields satisfaction, profit and strength to the *seller* of the oil; and that consequently if the whole were or could be obtained from British sources, *two*

British subjects would benefit where only *one* would gain if it were all purchased from foreign nations. It is quite possible that the British Empire cannot at present supply all the oil that India requires, and that we are, therefore, compelled to go abroad for what we want or do without some of it. Even so, our best policy is obviously to regulate the stream so as to give every possible encouragement to the development of such resources as the Empire may possess. Mineral oil it will be remembered has been found all over the world in many countries in vast quantities. The largest sources of supply at present are in the United States of America and Russia; but continental Europe, China, Japan, Java, Sumatra, Borneo and many other localities possess oil in valuable quantities. Within the British Empire, Canada and Burma have been perhaps our best assets so far, but oil is reported in the West Indies, in Assam, Kashmir, Beluchistan and the Punjab; also in Egypt. Our great African Empire, too, must assuredly possess valuable oil supplies which further investigation will no doubt reveal. We are not, therefore, without resources of considerable value. Whilst it may be argued that a margin of 5 or even 10 per cent. in price in our favour would not be likely to have very much effect in promoting the discovery of new oil reservoirs within the Empire, or even of encouraging successful competition with the abundant and favourably located supplies of Southern Russia, the Eastern States of America, or the Dutch possessions in the neighbourhood of the Straits Settlements, the fact remains that it would undoubtedly have some effect: probably, in competition with current supplies from foreign sources,

a very considerable effect. And this being so, the wisdom of adopting this preferential trade policy—already the guiding principle of all our Colonies and every one of our national competitors—seems unquestionable.

Turning from theory and generalities to the more concrete facts of the Indian oil trade, the first thing we notice in examining the sources of our foreign supply is that we grant practically the whole of our favours—nearly a million sterling in 1906-7—to Russia and the United States, two of the most highly protected of our national competitors and the two, moreover, who levy the heaviest tolls on British products entering their dominions! In the five years ending 1902-3 the average importations of Russian and American oils into India were valued at £1,727,000 and £436,000 respectively, as compared with £102,000 derived from British sources. Last year, 1906-7, India procured her kerosene oil (80 per cent. of the whole) as under :—

	Gallons.	Value.
From Burma (coastwise)	61,834,000	Rs. 219,50,000
,, United States -	28,835,000	121,87,000
,, Sumatra - -	10,796,000	33,86,000
,, Straits Settlements	6,213,000	16,13,000
,, Various Foreigners	3,519,000	11,51,000
,, Russia [1] - -	2,249,000	9,24,000
,, Borneo - -	1,423,000	3,56,000

Excluding Burma's unascertainable local consumption, India last year absorbed over 114,000,000 gallons, of which nearly 54 per cent. was raised within the

[1] Internal troubles have temporarily greatly reduced Russia's productive powers.

country (*i.e.*, in Burma). The demand is yearly increasing and with it the percentage of Burma oil consumed. In addition to the above kerosene oil, 10,152,200 gallons of other mineral oils, mainly lubricating, were imported in 1906-7, of which Burma supplied 3,006,900 gallons. Obviously this inflow of oil affords an excellent opportunity for initiating India's adherence to the principle of preferential trade within the Empire. Assuming a general tariff of one anna per gallon, or of 5 per cent. *ad valorem* for revenue purposes to be necessary, at least 5 per cent. additional duty should be levied on oils derived from foreign sources. True, the consequence of such a preferential tariff might be a rise of some 1 or 2 per cent. in the price of all oils throughout India; but, even so, the advantages to Burma, to India, and indeed to the whole Empire, would more than compensate for the almost imperceptible extra contribution paid by Indian consumers. Apart from the fact that a large portion of this contribution would flow back automatically into the pockets of Indian producers, there would be as before explained the encouragement to oil discovery and manufacture within the Empire and, what is perhaps most important of all, an instrument in the hands of Government that might enable them to secure better tariff terms (*i.e.*, enlarged markets or demands) for British products entering Russian and American territories. This last possibility is one that has been fully recognised by India's late Finance Minister—Sir Edward Law (*vide* his Minute of 31st August, 1903, attached to the Government of India's despatch of 22nd October, 1903).

Leaving to the consideration of the reader the

question of vegetable and essential oils, and the great possibilities of manufacturing the same in India from the identical oil-seeds and raw materials which India produces in such abundance but at present ships to Europe for others to manufacture, let us now glance briefly at the sugar problem. Here we find the clearest possible testimony of what a scientific regulation of the great currents of commerce can accomplish. We all know how the continental nations of Europe, realising the impossibility of competing unaided with the sugar-producing members of the British Empire, or with the British sugar refiner of the United Kingdom, proceeded to make self-sacrifices in the shape of protective tariffs and bounties, all paid out of their own pockets, with the object of building up sugar-producing and sugar-manufacturing industries that could successfully compete with those of Great and Greater Britain. Every device that art, science or national action could evolve to benefit the continental sugar-producing interests has been utilised, including the open markets of the British Empire whereon surplus production has been conveniently and profitably dumped whenever necessary. And with the result, as we all know, that the growth of cane-sugar throughout the Empire, and indeed the whole world, was for some years seriously checked, and continental beet-sugar secured a position that enabled it to successfully compete with, and in many cases demolish, the industry of those simpler-minded folk who, relying mainly upon the lands, appliances and legislation left them by their forefathers, delayed to recognise the nature and consequences of the world-wide developments that had taken place around them.

Exactly how much sugar India consumes nobody can say. The importation for 1906-7 was 486,000 tons, and this is probably not a tenth of what the cane grown in the country could yield if scientifically dealt with, seeing that 3,600 to 4,000 square miles are now devoted to sugar-cane cultivation every year. (The annual average for the ten years ending 1899-1900, before bounty-fed beet-sugar began to compete, was 4,400 square miles.) The sources of India's supply for the last three years are indicated below:—

	1904-5. Tons.	1905-6. Tons.	1906-7. Tons.
Java (Cane) - - -	104,000	84,000	165,000
Mauritius (Cane) - -	91,000	100,000	115,000
Germany (Beet) - -	8,000	35,000	100,000
Austria-Hungary (Beet) -	72,000	117,000	80,000
Various (Cane and Beet)	19,000	18,000	10,000
United Kingdom (do.) -	5,000	13,000	8,000
The Straits (Cane) -	10,000	7,000	2,000
Total Tons -	309,000	374,000	480,000

Applying the line between British and foreign supplies, and taking only the year 1906-7, we get:—

From British sources - -	125,000	Tons.
,, Foreign sources - -	355,000	,,

In other words, about three-quarters of the sugar imported last year into India gave profit and strength to foreign nations, some of whom are direct competitors of the British Empire. For the five years ending 1902-3 the proportion was only £1,361,000 from foreign countries and £1,713,000 from British sources, so that

in the interval we have elected, by our worship of the god "CHEAP," to give less support to our own kith and kin and more support to our formidable opponents. Is this a policy by aid of which we can expect to build up our Empire and maintain that national wealth and strength necessary to resist the pressure of world-wide competition?

As in the case of mineral oil, it is possible that the British Empire cannot at present produce sufficient sugar-cane or beet for Indian needs, in which case we must of course for the time being satisfy some of our requirements abroad, preferably, however, from the friends who treat us generously rather than from those who squeeze the uttermost farthing from us by heavy duties on Indian and English manufactured products. Let us see how we stand. Assuming our annual Indian consumption to be 3,500,000 tons (including what is eaten when chewing cane), of which 3,000,000 tons are grown in the country and say 500,000 tons imported, can we so regulate this half a million inflow as to encourage sugar growth and manufacture not only in India itself but also in other parts of the British Empire? Apart from foreign sources of supply, we have, first, India and then the following family relations, the West Indies, Australia, Mauritius, Egypt, Natal and the United Kingdom, all of whom (together with our own vast local resources) could unquestionably in time give to the people of India as much sugar as they required. By imposing, then, in addition to the present 5 per cent. *ad valorem*, a further 5 per cent. on all sugar flowing into India from countries other than Great Britain and her Colonies and dependencies, we could erect a

weir that whilst but very slightly raising the level of sugar prices in India, would at the same time not only benefit the homeland, Mauritius, Egypt, Australia and possibly other British possessions, but also encourage the cultivation and manufacture of more sugar in India itself. The desirability of doing something of this nature has been already clearly recognised in the imposition of countervailing duties against the bounty-fed sugar of the Continent of Europe—legislation that quickly proved its wisdom and value. Foreign nations having been forced by a combination of circumstances to abandon the bounty form of State-aid to their own commerce, the production of cane-sugar is once more resuming its former position of superiority, to the great relief and benefit of all British sugar-producers throughout the world. We need now only to carry the wise policy of the Government of India to its logical conclusion by discriminating between the cane-sugar produced within the Empire and that other sugar the purchase of which by India gives wealth and strength to the producers of rival nations. Five per cent. would do it. Why should we hesitate? Duties of this character, whether they be levied on sugar, or oil, or any other commodity produced by a foreign nation, simply mean a shifting of some portion of the burden of taxation from Indian to foreign shoulders. The proceeds of an Indian import duty on foreign sugar or foreign oil, for example, could be utilised towards a reduction of, say, the present salt tax, or the income tax, or some other tax which at present is paid wholly and solely by Indian or British interests. In this way not only would Indian and British producers directly benefit, but the general weight

of Indian taxation would at the same time be materially reduced. If foreign nations desire to reap the advantage of finding buyers for the products of their industry in British markets, they ought in fairness to contribute something towards British taxes just as British merchants are obliged to do, and be it noted just as British manufactured goods are compelled to do before they are permitted to pass into the territories of foreign competitors. What is fair for one is fair for both. India, under the guidance of Sir Edward Law and Lord Curzon, has already taken a step in the right direction. The logical development of this policy is what is now required.

X.—THE IMPORT STREAM—MINOR CURRENTS.

The people of no nation in history has ever permanently prospered under a policy which neglected its home industries to build up and develop the resources and give employment to the labour of foreign States.—The late President McKinley.

Oil and sugar form roughly one-quarter to one-third of the whole of the commodities that India purchases outside the Empire. The balance is made up of some fifty or sixty different classes of articles (practically all manufactures), the chief of which in order of their values are cotton and silk goods, steel, apparel, dyeing and tanning materials, glass and glassware, jewellery and silver and gold plate, iron, provisions, woollen goods, hardware and cutlery, liquors, raw silk, raw cotton, matches, copper, german "silver," paper and pasteboard. Other notable items are salt, tobacco, clocks and watches, cotton twist and yarn, machinery and mill work, paints, toys and stationery. All these minor currents are perhaps in themselves insignificant. Their total even is by no means imposing in comparison with the majestic flow of Great Britain's export trade to India. At the same time, just as a straw will show how the wind blows, so these little coloured streaks in the great river of Indian imports are of considerable service to the

economist and statesman as indicating facts, tendencies and probabilities from which he can deduct conclusions of great moment to national welfare.

In glancing through the above list of commodities purchased by India from foreign nations, we notice at once that nearly every item is the product of some *manufacturing* industry. Salt, coal, silk and cotton are in truth about the only raw products that India has bought from the foreigner. The fact that even these few things have been procured outside the Empire conveys a lesson, and special encouragement for the cultivation or production within British limits of the exact article in demand is the remedy and policy indicated. With resources such as we possess there is no necessity to go to Germany for salt or to Japan for coal; whilst so far as silk and cotton are concerned the efforts now being made to cultivate in India itself the exact qualities required, will no doubt yield success if persisted in with the necessary skill and determination. The significance of the imports of foreign *manufactured* goods is a matter on which we must specially ponder. Seeing that the result of Great Britain's free import policy of the last sixty years has been to produce a mother land which now depends for its continued health and strength mainly on the success with which it can manufacture and sell the raw material it imports from abroad, it is of the greatest importance that its own children should, as far as they can, support its industries; and that India, its largest buyer, should not be tempted by a temporary cheapness to go elsewhere. Which being so, what are we to think when we see India spending millions abroad on such articles as iron and steel, cotton and woollen goods,

hardware and cutlery, glass and glassware, matches, paper, twist and yarn, earthenware and porcelain, machinery and mill work, and many other commodities in the production of which the United Kingdom ought to be able to beat all competitors? Many of these come from the Continents of Europe and America and yield employment and profit to our most formidable rivals. True, the amounts individually are very trifling, but small as they are, can we afford to allow our rivals to retain and to work up these minor sources of strength as they are now doing? Allowing that India in 1906-7 purchased, say, 70 per cent. of her imports from British sources, still 30 per cent. went to outsiders, and 30 per cent. of £90,000,000 is £27,000,000. Is it wise to spend £27,000,000 sterling per annum without a thought as to results in the future in encouraging the development—more particularly the manufacturing capacities and developments—of rival nations some of whom are in direct competition with ourselves and none of whom will freely purchase our manufactured goods in return?

Possibly it may be said—Great Britain is doing well; so is India; we can well afford to spend our money as we like and buy from whom we please. The reply is—Whether we can now afford it or not, it is not sound for us to look only at the immediate present, and altogether neglect the future. Manufacturing industries are admittedly of considerable value and advantage, nationally. India must therefore think twice before spending £20,000,000 to £30,000,000 a year on foreign manufacturers, unless those foreigners will buy our manufactured products equally freely. Otherwise we must inevitably be forced into the position of merely supplying raw

products for them to work up and from which they derive strength, whilst we are permanently handicapped and held back. Indeed this is the actual position of India at the present day. Fortunately we have the remedy in our own hands. The same device, by aid of which the main stream of foreign imports can be utilised to yield revenue and encourage British industrial developments, can be brought into operation with regard to most of the minor streams. But just as in the case of the various irrigation systems of Northern and Southern India different devices have been adopted to meet different local requirements, so, too, in the case of the little streams of foreign imports into India, our tariff machinery must be carefully constructed with the object of securing a separate and special result in each case. Thus, whilst the general principle may be embodied in the proposal to erect an import tariff of about 10 per cent. to 15 per cent. *ad valorem* on all foreign imports—especially manufactured imports—in working out the details, it may be desirable to allow such articles as raw silk and cotton, agricultural and mill machinery, dyeing and tanning materials, etc., to flow in entirely free of duty. At the same time, seeing that India buys more steel, more silk manufactures, more glass and glassware, more jewellery, and more clocks and watches from foreign sources than from British suppliers, and that, too, in spite of the fact that Great Britain is very expert in the manufacture of such goods, the situation seems to call for a considerably higher duty than even 10 or 15 per cent. in these instances, not only in the hope of stimulating Indian production, but also with the object of showing

a marked preference for, and so effectively encouraging the manufacture of, such goods in the United Kingdom. Each other class of India's importations from foreign countries should be dealt with in the same way, the idea being, whilst raising revenue for the purposes of general administration, to afford a certain encouragement to the creation and development of British industries in India as well as other parts of the Empire.

Our general conclusions with regard to the import trade of India can now be summed up in a few sentences. Although moderate import duties of say 5 per cent. on British and 10 to 15 per cent. on foreign manufactured goods would be the best way of collecting a portion of the revenue required by the Indian Government, in that it would give a gentle stimulus to the development of Indian arts and industries and at the same time exhibit a rational preference for the manufactures of the United Kingdom, the complete adoption of such a policy is at the moment probably impracticable owing to the preponderating influence and importance of the manufacturing interests of Great Britain. This, however, should not prove an obstacle to the adoption of a special mutual preference tariff designed to discriminate between products of British labour and those of Britain's competitors. This might be superimposed on the structure of the present Indian Tariff Act. Though yielding but very little additional revenue to Government and a similarly small measure of encouragement to the industries of India, it would indicate an intelligent recognition of that principle of mutual aid which is at the bottom of all social, national and Imperial progress, and it would give as much stimulus to Indian arts as the present conditions

in India demand. It is urgently called for, too, in view of the fact that Great Britain's manufacturers are not holding their own with regard to the demands of India. Comparing the figures for the twenty years ending 1901-2, we find that India's total imports have increased in that period by 76 per cent. Of this advance all the leading manufacturing nations of the world have secured a proportion, but whereas Germany, Belgium and Austria-Hungary have multiplied their once small export trade to India by thirteen to thirty-eight times, Great Britain has not been able even to double her figures of 1881-82. Only in the last five years Germany has managed to increase her percentage of India's total purchases from her from 2·7 per cent. to 5·3 per cent., *i.e.*, she has doubled her sales of manufactured goods; and although the percentage is in one way small, to ignore its significance would be to throw away the warning which the falling barometer always gives to the experienced navigator. Germany is doing best in woollen goods, hardware and cutlery and cotton manufactures. Great Britain was once first in all the world in manufactures of these classes. Why should she not retain the whole of this trade?

XI.—THE EXPORT STREAM—ITS MAGNITUDE AND COMPOSITION.

What is pertinent in this connection is Sir Edward Law's study of both export and import trade (in his Memorandum accompanying the Government of India's despatch of 22nd October, 1903). That represents a business-like way of disposing of questions of this kind. That Memorandum exhibits exactly the methods in which we in the Commonwealth endeavour to approach proposals of this kind.—The Hon. Alfred Deakin, Prime Minister of Australia, at the Colonial Conference, 30th April, 1907.

We now come to a consideration of the most important portion of our subject—the possibility of turning to still greater account than is already done that magnificent stream of exports upon the continuation and growth of which India's advancing prosperity mainly depends. If the streams of imports that flow into India, and the fiscal treatment of some small portion thereof, suggested in the previous chapters, be likened to, say, the Cauvery, the Kistna or the Godavari rivers with their several deltaic systems of artificial irrigation, then the vast exports of India's raw products—wonderful in their variety, certain in their flow, and of truly unequalled volume and value—can only be compared to the greater rivers of the north—the sacred Ganges and the Jumna, or the mighty Indus with its five wonderful tributaries. These magnificent arteries are not only the life-source

of a very large portion of the population of upper India, but in the projects for drawing and distributing their waters over hundreds of square miles of neighbouring lands we possess the largest and most successful irrigation schemes that the enterprise and ingenuity of man have yet succeeded in accomplishing. And may it not be possible to utilise in their flow some portions of India's vast export trade to augment Indian and British prosperity, just as the officers of Government have done in the case of the Jumna, or the Ganges, or the great rivers of the Punjab? We have before us the largest, most valuable and most powerful currents outside those of the United Kingdom, running, in one sense, largely to waste. Is it beyond the wit of man to harness some of this spare energy for the benefit of the Empire?

The principal articles of export from India arranged in order of their values for 1906-7 are as under:—

	Lakhs.	Percentage of Total Exports.		Lakhs.	Percentage of Total Exports.
	Rs.			Rs.	
Jute - - -	2,683	14·7	Wool - -	242	1·3
Cotton - -	2,196	12·1	Pulses, Millets and Cereals -	128	·7
Rice - -	1,852	10·1	Coffee - -	99	·5
Jute Goods -	1,571	8·6	Wood - -	83	·4
Hides, Skins -	1,534	8·4	Indigo - -	70	·3
Seeds - -	1,301	7·1	Manganese Ore	70	·3
Cotton, Yarn and Cloth -	1,216	6·6	Oils - - -	69	·3
Tea - - -	986	5·4	Silk - - -	68	·3
Opium - -	930	5·1	Provisions -	65	·3
Wheat, Flour -	784	4·3	Spices - -	60	·3
Lac - - -	349	1·9	Myrobalams -	44	·2

Minor articles of export in order of their value are fodder, bran and cattle food, manures, saltpetre, coal and coke, coir, apparel, drugs and medicines, horns, metals, woollen goods, bristles, caoutchouc, tobacco, fruits and vegetables, mica, silk goods, unrefined sugar, gold, etc.

The total value of the export stream in 1906-7 was £121,516,349. Were the whole of this mighty volume discharged within the limits of the British Empire, the maximum benefit to British interests would result. Indian sellers would secure due recompense and profit on the whole of their sells; British buyers would find a similar satisfaction and profit in paying for and obtaining what they required. Thirty or forty years ago India's export trade did yield these double advantages to the Empire. With the desire of foreign nations to create manufacturing industries of their own (whether they were favourably situated for such industries or not), and with the adoption by them of a commercial policy hostile to British manufactures, a diversion of the lower reaches of the great Indian export river has been successfully effected, and with the result that many of India's most valuable raw products are now drawn off by our national rivals, converted by them into completely manufactured commodities, and then sold as such not only to Great Britain's former customers, but also to the people of the United Kingdom themselves. In this way, whilst India may not have suffered —except indirectly by the loss of British manufacturing prestige and its resulting wealth and power—Great Britain, in the supposed best interests of India, has quietly permitted rival nations to utilise some of her

most valuable resources, and to build up, partly by the aid thereof, powerful industries that are now able to successfully compete with her in the markets of the world. Never before in the history of mankind has so amazing a policy—or absence of policy—been exhibited by an Empire with any pretension to statesmanlike foresight. How much of the current has been successfully diverted and utilised by foreign nations—some of them dangerous rivals to British supremacy—the following figures show:—

DISTRIBUTION OF INDIA'S EXPORT TRADE IN 1905-6.

	Per cent.		Per cent.
To United Kingdom	26·9	To China - -	10·9
,, Germany - -	11·0	,, Japan - -	4·1
,, United States -	9·0	,, Straits - -	3·8
,, France - -	6·4	,, Ceylon - -	3·7
,, Belgium - -	4·1	,, Austria-Hungary	3·3
,, Italy, etc. - -	3·3	,, Egypt, etc. -	2·4

It will be seen from the above that instead of practically the whole, Great Britain now takes advantage of only a little over one-quarter of India's exports. In her natural function of chief market for Indian commodities the United Kingdom has very seriously lost ground. As a matter of fact, Germany is now buying over 30 per cent., and the United States nearly 50 per cent. *more* from India *than they were doing only five years ago!* To the shortsighted, this may appear good business for India:

but it must not be forgotten that, in every normal commercial transaction, the buyer as well as the seller makes a profit, and the more Germany and the United States can buy from India the more profit *they* make out of the business. *Per contra* the less Great Britain buys, the less she makes. And where, as in the case in point, these purchases from India consist of valuable raw produce secured for the special purpose of being manufactured and again resold, the gain to Germany and the United States is multiplied several times; for the work of manufacture employs foreign brains, capital and labour (each earning their own recompense), whilst the sale of the manufactured product means satisfactory profits for all the various distributing departments of commerce. These several processes obviously augment our rivals' national wealth and strength and, relatively, diminish Great Britain's position of economic (and therefore political) supremacy.

Fortunately it happens that the nature of the great Indian export current, apart from its huge volume, is still a source of the greatest strength to the Empire. A glance through the list of its chief components reveals several products in which India practically enjoys a monopoly, *viz.*, jute, jute manufactures, til seed, lac, teak wood, myrobalams, mowra, etc., whilst in several others we possess advantages of the nature of a modified monopoly owing to their limited production in but few countries. Then, again, the remarkable cheapness of those other articles (such as wheat, seeds, hides, skins, etc.), in which India competes with outside producers, places us in a particularly strong position; so that, altogether, we can rest assured that not only shall we

always be able to find buyers for everything we have to sell, but that in many important branches of commerce outside nations will be forced to come to India, whether (for political reasons) they wish to or not, in order to obtain the raw materials and other products necessary to keep their own peoples occupied and their own industries prosperous.

We are now in a position to commence our practical work of devising methods whereby the vast stream of India's exports can be utilised to forward Imperial interests. It will not be necessary as before pointed out to attempt the intercepting or blocking of any considerable position of the volume at first, any more than the development of any individual scheme of power transmission or irrigation calls for the complete barring or diversion of the whole or of even a greater portion of the waters of, say, the Ganges or the Indus. The most we can hope to accomplish is by constructing favourable tariff channels to lead a little of the current here or there and to regulate the supply according to the exigencies of the moment. If necessary, we shall not hesitate to recommend a dam or weir across one or other tributary in order to ensure a permanent flow along a given route, or to so raise price levels as to afford some industry opportunities for development that without such mechanical means could never exist. All these devices are everyday matters to the irrigation engineer, and are everywhere recognised to be well worth the risk, trouble and expense involved. Nor need we be in the least afraid that by the construction of such works the volume of the main stream is likely to be so affected so that those who are lower down the

river will find their water vanishing and their prosperity blighted. Such contretemps are unknown amongst irrigation experts, and they need never occur in the process of constructing a national commercial policy. Let us then not hesitate, but go ahead.

XII.—THE EXPORT STREAM—HOW IT CAN BE UTILISED—THE CASE OF JUTE.

Your competitors are to-day dealing with your raw materials at the fountain-heads; they are diverting from you those raw materials for their own ends—to work them up. And in working them up they pay their own people wages for producing manufactured articles which eventually come directly into competition with you not only in England but also in the Colonies.—The Hon. F. R. Moor, Prime Minister of Natal, at the Colonial Conference, London, 1st May, 1907.

Material progress is not confined to agriculture, to manufactures, or indeed to any particular form of industry. The engineer bringing his expert knowledge to bear on the utilisation of the opportunities for commercial development afforded by a great river, is not therefore limited to irrigation at any particular spot, or of any particular character, or indeed to irrigation at all. He may utilise the current for the direct services of various types of manufactures, as, for example, is done with such great effect in Canada; or he may convert its force by aid of electrical devices to the creation and transmission of power that can be utilised near and far for almost every conceivable end — witness the United States or India itself (*e.g.*, the Cauvery Falls). So, in exactly the same way, it is possible to turn to account the flow of India's great export stream (1) by

imposing export duties that would have the result of raising the prices of raw products to buyers outside India, and so giving an advantage to the manufacturers of similar raw products within India itself; (2) by allowing rebates of the whole or some portion of these export duties to British buyers outside India, thus placing the British purchaser of raw products for manufacturing purposes in a position of advantage as compared with foreign buyers and manufacturers; (3) by granting in the United Kingdom and other portions of the British Empire specially favourable tariff terms for Indian products, thus encouraging their production, sale, manipulation and consumption within the limits of the Empire, and so securing the maximum satisfaction and profit, and the maximum economic and political strength for the maximum number of British subjects; and lastly (4) by the statesmanlike use of all these several devices, for extorting from rival nations better terms and conditions for the admission of British products into their respective territories than at present prevail. These are some of the means by which the great Indian current can be utilised to encourage and enlarge that DEMAND for British products, upon the rapid expansion of which the continued power and prosperity of the Empire mainly depends.

In view of these considerations, is it not deplorable to find such magnificent opportunities now practically all running to waste? As already pointed out the volume of India's external trade is so great, and its composition so varied and valuable, that it is no exaggeration to say that a scientific regulation of its current could produce greater beneficial results to the Empire as a whole than

any other legislative action outside a root-and-branch reform of Great Britain's own customs tariff. It behoves every Indian and Anglo-Indian therefore to lend a willing hand and brain to the attainment of a speedy reformation of our present commercial policy. Exigencies of time and space make it impossible to examine exhaustively all the possible means by which each and every branch of Indian trade could be benefited by an intelligent extension of the already accepted principle of State recognition and encouragement. The State at present lends its aid in respect to capital, materials, labour and internal demand—all at the expense of the community as a whole. What is now advocated is an extension of this principle so as to embrace *external* demand—first that of the whole of the British Empire, and then that of the whole world. Let us see how an application of the four fiscal devices above outlined would be likely to operate in the attainment of this end so far as India's most valuable product—jute—is concerned.

Jute, as a substitute for hemp, was the subject of various experiments by Dundee manufacturers as far back as 1830. Its utility was quickly recognised, and by the middle of last century a large export of the fibre from Calcutta had sprung up. The Crimean War, by interrupting the supply of flax and hemp from Russia, gave a great stimulus to Bengal and the trade rapidly expanded. Not only did the Dundee manufacturers reap magnificent rewards, but factories began to appear in and around Calcutta. The cheapness of the fibre and of the products made therefrom gave them a world-wide popularity, and from nothing in the early years of last

century, the production of jute in India has now amounted to 31,733,000 cwt. in 1906-7. Fifty years ago the British Empire (*i.e.*, India and the United Kingdom) enjoyed a monopoly of the production and manufacture of all jute and jute fabrics. This fact did not escape the attention of foreign nations who required these fabrics in yearly increasing quantities to assist in the development of their own industries. They one and all set to work to artificially divert the industry as far as they could from British channels. To attain this end the same devices were everywhere employed. The demand for the British manufactured product was gradually checked by the erection of import tariffs of steadily advancing duties, and at the same time, as the raw product could be freely obtained from Calcutta by one and all—foreigners as well as British—on exactly the same terms, factories were erected first in Germany then in other parts of Europe, at which, under the shelter of their tariffs, the jute was spun and woven to supply foreign home demands. As this policy gradually developed, rival nations were at length not only able to largely satisfy their own requirements, but they have now also commenced to attack those of the world's markets, which had hitherto been a source of profit and wealth to British manufacturers only. The number of jute-spinning and weaving factories in the United Kingdom steadily fell from 118 in 1885 to 107 in 1905, and that, too, notwithstanding a phenomenal increase in the world's consumption of jute which now exceeds 8,500,000 bales per annum. It is not surprising in these circumstances that exports of jute piece-goods from the United Kingdom have declined as under :—

		Millions of Yards.	Thousands of £.
Average for 1890-94	-	264·4	2,425
,, ,, 1895-99	-	234·0	2,048
,, ,, 1900-4	-	198·7	1,984

Nor can we feel astonished that last year the United Kingdom was only able to purchase 42 per cent. of what India could spare, whilst rival nations, who a few years ago satisfied all their requirements with British manufactures, found profit in purchasing—Germany, 21 per cent.; the United States, 12 per cent.; France, 10 per cent.; Austria, 4 per cent.; Italy, 3 per cent.; Spain, 2 per cent., etc., of India's total exports. The steady diversion of India's invaluable export current of raw jute has been going on approximately as under:—

THE WORLD'S CONSUMPTION OF RAW JUTE.

(Thousands of Bales.)

	1884.	1894.	1904.	1906-7.
United Kingdom - -	1,200	1,200	1,200	1,842
Bengal Mills - -	900	1,500	2,800	3,517
Continent of Europe -	850	1,100	1,800	2,056
America, etc. - -	—	500	500	609
India (internal demand)	500	500	500	500
	3,450	4,800	6,800	8,524

It cannot for a moment be imagined or argued that the above serious diversion of a wealth-bearing industry from British to foreign territories has been the inevitable result of the operation of the free play of economic forces. It has been the direct outcome of a definite and carefully planned commercial policy on the part of foreign nations who, by extending State-aid to the control of the chief essential to wealth production, DEMAND,

have succeeded in creating numbers of flourishing manufactures that afford employment to thousands of people of rival Powers, and yield life, sustenance, profit and strength to the nations concerned. Such indeed are the factories of San Francisco, Brooklyn and Paterson in the United States; Berlin, Bremen, Hamburg, Bonn, Cassel and Braunschweig in Germany; Dunkirk, Lille, St. Pol, Armentières and Ailly-sur-Somme in France; Barcelona, Valencia, Seville, Bilbao, Santander and Gijon in Spain, etc.

Let us now for a moment consider what might have happened had Britain's statesmen, recognising that in jute the Empire possessed a fibre which, owing to its low economic cost, must be in world-wide demand, determined to utilise this fact so as to give employment, profit and strength to the maximum number of British subjects, instead of allowing foreign rivals to walk off with the raw material without hindrance and at the same time shut their doors to British products manufactured from this same raw material. Taking the four fiscal devices mentioned at the beginning of this chapter in the order in which they are mentioned, the Government of India might, firstly, have imposed an export duty on raw jute, with the special object of stimulating the multiplication of spinning and weaving factories in India. Such an action would have been distinctly unfriendly to Dundee, to whose initiative and energy the growth of Bengal's chief product mainly owed its success. Moreover, recognising the prior existence of industrial interests in several parts of the County of Forfar, and also the many advantages which geographical situation already gave to factories situated in proxim-

ity to the sources of supply of the raw product, State action of this character was not in any way called for. The growth of the Bengal industry and the severe check to further expansion that Dundee has experienced in consequence, fully bear out this view of the matter. The second fiscal alternative was to impose an export duty as before, at the same time granting a rebate if the raw material were intended for consumption by British manufacturers. (This indeed is exactly the policy at present followed by the United States with regard to Manila hemp. An export duty of thirty shillings per ton is imposed in the Philippines, the United States manufacturer being given a rebate provided the hemp be imported to the States in an American vessel.) Had this policy been adopted in time, it is quite certain that practically the whole of the jute-spinning and weaving industries of the world might have been built up within British territory to the very great advantage of both India and the United Kingdom. The third alternative policy—the adoption in Great Britain and other parts of the Empire of a tariff specially encouraging to the production of raw or manufactured jute in India—is without application in this particular instance, for the reason that India already has a monopoly of the fibre at present, whilst in the matter of its manufacture, Scotland and Bengal are in active competition. The expediency of either manufacturing interest penalising the other—both being British—would be a development of commercial policy which we are not yet called upon to discuss. At the same time every part of the Empire should discriminate between jute manufactures the products of British, and those that are the products of

foreign labour and capital—the demand for the latter being checked (by a high import duty), and that for the former being encouraged (by the removal of all import duty—that is, as far as local finances will permit).

The fourth line of commercial policy—the extorting from rival nations of the best terms of admission (*i.e.*, the creation of the largest DEMAND) for British commodities by means of a British export or import tariff—might be most effectively employed in connection with jute. This is how the chief Powers of the world treat India's most valuable product:—

Nation.	Raw Jute Admitted.	Manufactured Jute Penalised by a Duty Equivalent to—
The United Kingdom	Free.	Nil.
Japan - - -	,,	,,
Holland - - -	,,	5 per cent. *ad val.*
Belgium - - -	,,	10 ,, ,,
France - - -	,,	20 ,, ,,
Germany - - -	,,	20 ,, ,,
The United States -	,,	20 ,, ,,
Austria-Hungary -	,,	20 ,, ,,
Russia[1] - - -	Nearly free.	32 ,, ,,

Here we see clearly laid bare the means whereby Germany, France and America are building up their jute works. An Indian export duty on raw jute exported to the above nations of the same incidence as that which rival Powers impose on the British manufactured product is clearly called for. If this be inexpedient for political reasons then some modification of

[1] Raw jute pays 1 rouble 20 copecks per poud—a very low duty for Russia.

rival nations' handicap on products of British industry other than jute goods should be negotiated.

Sufficient has now been sketched to indicate how the chief contributory to India's export stream might be intelligently treated with the object of conserving and developing British commercial interests. In the case of jute the resultant benefits would accrue rather to the United Kingdom than to India. This is no reason, however, why India should not take its due position in demanding a statesmanlike revision of our commercial policy. Bengal recognises the advantages of spinning, weaving and manufacturing its own raw material; and as powerful rival nations have artificially controlled their demand, so as to show their preference for the raw product rather than the yarn, the yarn rather than the cloth, and the cloth rather than the bags and other finished jute goods, it behoves India to reply by a practical expression of a similar preference for products which employ the greatest amount of Indian labour and capital, and consequently yield the largest and best results for Indian interests and the interests of the British Empire.

XIII.—THE COTTON AND RICE CURRENTS: HOW TO UTILISE THEM.

Manchester is very anxious to develop cotton growing within the British Empire—a very proper thing to do. But if it is right for cotton to be grown within the Empire to supply the requirements of Manchester, why should it not be just as right to grow meat, or corn (or rice), or any other thing to meet the requirements of the Empire ?—Mr. E. Parkes, M.P., at the Sixth Congress of Chambers of Commerce of the Empire, London, 10th July, 1906.

Next in importance to jute and jute manufactures come cotton and all the products thereof. India's exports of raw cotton, cotton yarn and cotton goods in 1906-7 were 18·7 per cent. of her total export trade. Raw cotton represented 26·94 per cent. of the whole value of raw materials exported from India. Seeing that £92,000,000 (nearly 30 per cent.) of Great Britain's export trade consists of goods manufactured from cotton, it might be thought that the people of the United Kingdom would have long ago recognised the desirability of obtaining as much of this cotton as possible within the limits of the British Empire, so giving their own fellow-subjects the advantages arising from the growth and sale of so valuable a product. And yet, *mirabile dictu*, it is only within the last few years that this policy has commended itself to Lancashire. In the meantime the

mother land has depended for a large and vital portion of its sustenance, say 96 per cent., on foreign countries (chiefly the United States and Egypt), whilst the British Empire, mainly India, has supplied to her the remaining insignificant 4 per cent. To such deplorable passes does our present absence of commercial policy lead, that out of the 7,397,000 cwt. of cotton (valued at Rs. 21,96,57,000) which India was able to spare last year, the United Kingdom could only find use for 451,000 cwt., or 6 per cent.!

The following countries found profit in appropriating the rest:—

Japan - - -	1,729,000 cwt.	23 per cent.
Germany - - -	1,648,000 „	22 „
Belgium - - -	1,101,000 „	15 „
Italy - - - -	874,000 „	12 „
Austria-Hungary -	619,000 „	8 „
France - - -	558,000 „	7 „

and so on.

It would almost seem from the above figures that it is only expert, free-trade England who is unable to utilise the £14,000,000 worth of cheap cotton which India can at present offer the Empire! Germany and Belgium, it will be remembered, each impose a duty equivalent to 20 per cent. *ad valorem* on India's cotton manufactured goods, whilst practically all nations have recognised the advantage in their own interests of restricting in some degree their demands for British cotton manufactured goods (by the erection of import tariffs thereagainst). Is it not obvious that this policy of welcoming British raw materials, but checking the

British manufactured products, is of more advantage to them than to us?

The arts of cotton spinning and cotton weaving probably reached a high stage of proficiency in India 2,000 years ago. Certain it is that the cloths of Masulipatam and the muslins of Decca were known in Eastern Europe in those early days. The cotton-weaving industry in England only commenced to develop in the seventeenth century, and it is on record that in 1721 an Act was passed prohibiting (in the interests of Manchester) the importation of printed calicoes from India! Thus did our misguided forefathers contribute to the creation of Britain's greatest industry! The same regard for the manufacturing interests of England continues to find expression at this day in the much criticised excise duties now levied on the products of India's cotton mills. In spite of labour, capital and climatic difficulties, these mills continue to make progress; and although throughout India, as in every other country in the world, handicrafts have melted away in face of the competition of machine-made goods, on the whole India's production of cotton yarn and cloth is rapidly increasing. Almost a half of the cotton grown in India is now required for her own spinning factories, and as the quality of the cotton improves, the ability of India to compete with the cotton goods of the United Kingdom will become more and more pronounced. At first the competition was largely confined to the satisfaction of local demand, but with a slow but steady advance in the efficiency of India labour, capital and material, Bombay millowners are succeeding in satisfying external demands to a gradually increasing extent. India's

exports of yarn and piece-goods in 1906-7 were 243,517,000 lb. and 76,699,000 yards respectively, valued at Rs. 1039·65 lakhs and Rs. 165·42 lakhs. Of this 91·36 per cent. of the yarn went to China and also most of the piece-goods. With additional experience, and the assistance of yarns of finer and longer staple imported from Egypt and elsewhere, Bombay millowners will undoubtedly be able to make their competition felt in an ever-widening sphere to the great benefit of the Empire as a whole.

What, now, is the position? The following table exhibits clearly the trend of the cotton manufacturing trade of the world. It shows the average annual consumption of raw cotton by Great Britain since 1876 and by her formidable rivals on the Continents of Europe and America (the figures are millions of hundred-weights):—

Period.	United Kingdom.	United States.	Continent of Europe.	Total.
1876-80	11·20	6·13	9·17	26·50
1881-85	12·88	7·66	11·76	32·30
1886-90	13·75	9-05	13·98	36·78
1891-95	14·11	11·26	17·02	42·39
1896-00	15·05	14·03	20·11	49·22
1900-01	14·59	16·23	20·43	51·25
1901-02	14·52	17·45	21·59	53·56
1902-03	14·21	17·92	22·98	55·11
1903-04	13·47	17·45	22·98	53·90
1904-05	16·16	19·24	22·98	58·38
1905-06	16·85	21·10	23·45	61·40
1906-07	17·37	22·10 [1]	24·37	63·84

[1] Exports of cotton manufactured goods from the United States increased from 19·8 millions of dollars in 1896 to 42·9 millions of dollars in 1906, *i.e.*, an advance of just upon 117 per cent. in ten years!

These statistics should give pause to every superficial thinker who, because Lancashire has done so well in recent years, may be inclined to jump to the conclusion that Great Britain's chief industry is in a stronger and more satisfactory position than ever. The above figures show clearly that so far as cotton manufacturing is concerned, both Europe and America have caught us up and passed us. Europe's annual consumption, it will be seen, has increased by over 15,000,000 cwt.; whilst that of the United Kingdom has only advanced by 6,000,000 cwt., and that, too, notwithstanding a century of experience, an accumulation of skill, machinery and capital, and a possession of the world's markets that should have given us every conceivable advantage. In addition to this we cannot ignore the fact that Great Britain at the present day is in the perilous condition of depending for its very life, so far as its chief industry is concerned, upon the good-will of powerful competitors who, for the moment, happen to grow more raw material than they can themselves profitably manufacture. (Twenty-seven thousand looms in North-east Lancashire were compelled to close for a week in May last for want of yarn.) This extraordinary state of affairs cannot obviously last for long. Every country now uses its national brain with regard to its foreign commerce, and endeavours to build up, by State-aid, industries of its own—especially industries that can utilise home-grown raw material. In pursuance of this policy, every great nation endeavours to preserve the home demand for the home manufacturer and restrict as far as possible that demand so far as the manufactured products of Britain are concerned. In the case of

cotton goods everybody hinders the sale of British cotton manufactures (the United States most successfully and much to their own advantage!); and with the result that India and China are now the remaining chief sources of demand, upon the retention of which British cotton manufacturers mainly depend. If these markets are not to be captured in the future by foreign-made cotton goods produced at low cost by means of that cheapness which accompanies vast production, the British Empire must set to work at once and forge a rational commercial policy that, whilst accepting the raw product free, places a tariff obstruction in the way of foreign manufactured cotton articles. Some effort must be made to gradually divert India's £14,500,000 worth of raw cotton, which now gives profit to foreign buyers, to British hands, by the taxing in India and the United Kingdom (say about 10 per cent. *ad valorem*) of all foreign products made from that or from any other cotton. Those nations who raise a 20 per cent. barrier against the importation of Indian cotton yarns and fabrics must (either by an Indian preferential export duty on cotton or—what would be more practical—by a preferential import duty on some other commodity manufactured by the competing nation) be induced to lower or remove their artificial obstruction to their demand for British manufactures. In these ways the power of the cotton current can be utilised to some extent for Imperial ends, mainly, it may be admitted, for the benefit of the United Kingdom. Indian cotton industries would benefit slightly by the extension of home and foreign demand, but the chief interest concerned is Lancashire, who in the midst of its current

prosperity and advancement is slow to realise what the phenomenal growth of rival cotton manufacturing interests of superior capital and productive capacities, and located in close proximity to the vitally necessary supplies of raw material, must inevitably lead to in the not remote future.

India's outflowing stream of rice represents a little over 10 per cent. of the total export current. Next to jute and cotton, it is the most valuable asset of the raw material (food) class that India affords the Empire. The total crop production available in 1906-7 was estimated to be about 433,138,000 tons, of which only 1,935,200 tons, worth Rs. 18,52,17,000, were actually exported out of India—mostly from Burma. Information regarding the exact destinations of this vast stream is deficient, but the following figures give approximately the directions in which the main currents flowed in 1906-7 :—

To the British Empire.		To Foreign Countries.	
	Tons.		Tons.
Ceylon - -	338,862	Germany - -	262,498
The Straits -	203,400	Japan - -	133,153
Great Britain -	131,996	Austria-Hungary	116,332
	674,258		511,983

Large quantities are shipped to South America, and there is a considerable demand also in the Levant. East Africa, Mauritius and Natal take moderate supplies, so that altogether we shall not be very far wrong if we assume that of India's surplus rice nearly a half is bought by foreign nations. Formerly the bulk of the

exports were shipped from Burma in the form of "paddy" (unhusked rice). Gradually, with the growth of rice mills, the proportion of husked and cleaned rice has steadily increased to the advantage of all British interests concerned. The husk is now used as fuel in the mills, the bran is exported for pig-feeding, and a saving in transport charges is also secured. As an example of the policy pursued by foreign nations at the expense of India and Great Britain it may be here mentioned that unclean rice is accepted by Germany duty free, while cleaned rice is barred by a substantial import duty. The object, of course, is to encourage the erection of rice mills in Germany. This is typical of the policy of all modern protective nations, *viz.*, to force the British Empire to restrict itself, as far as can be done, to the yielding of only the essentials to wealth creation—raw materials chiefly—and to check the expansion of all other forms of British industry, and also of the wealth and strength—economic and political—which such industry of necessity brings.

At present the only article of commerce on which an export duty is levied in India, is rice. Rice husked or unhusked (including rice flour) pays a tax of three annas per maund ($82\frac{2}{7}$ lb. avoirdupois). Rice-bran and rice-dust are permitted to flow outwards free. Such an export tax as this is wholly indefensible and ought to be abolished forthwith. No doubt the revenue derived from land in Burma is comparatively small. There was a time, too, when India and Burma enjoyed something approaching to a monopoly of the supply of rice to Europe. Those days are long past, and British-grown rice has now to compete with that raised by

foreign nations. To saddle the British product with an export tax is simply to handicap British enterprise for the benefit of its foreign rivals. Italy and the United States, who both grow very fine rice themselves, levy import duties on Indian rice equivalent to 68 and 114 per cent. *ad valorem,* whilst Austria and Germany each tax it to the extent of about 43 per cent., France about 46 per cent., and Russia, say, 110 per cent.; so that altogether British rice interests are deplorably treated—needlessly taxed by their own Governments and deliberately hindered and checked by foreign Powers. Assuming for a moment that export taxes on Indian products be absolutely necessary for revenue purposes—an assumption that has no foundation whatever in fact—then those commodities in which India holds a practical monopoly, say raw jute, opium, til seed, etc., are obviously more appropriate subjects for an export duty than rice.

So far as the rice and cotton currents are concerned, we may safely conclude that a definite Imperial commercial policy would be of material assistance to India with regard to rice, and to the Empire as a whole with regard to cotton and cotton manufactures. It is not for a moment suggested that a violent change of tariff policy should be undertaken forthwith; but the sources of our strength and our weakness having been reviewed and examined, we are now in a position, with this knowledge behind us, to take our stand with the Colonies and the Mother Land when the moment arrives for extending the first principle of our everyday intercourse—mutual preference—to our foreign trade and oversea commerce.

XIV.—HIDES AND SKINS; WHEAT AND SEEDS; OPIUM, LAC AND WOOL.

Our products are taken at the present time (by foreign nations) in order that their manufacturers may be supplied. They turn our wool into cloth, they smelt our ores and manufacture them into machinery, or into pig-iron, and send it out to us to compete with British iron. Their tariff is framed directly in their own interests. It is to their interest to get wool and ores and other raw products, and therefore they take them (free). It is not in their interests to take manufactured goods, and therefore they do not take them—either yours or ours.—The HON. ALFRED DEAKIN, Prime Minister of Australia, at the Colonial Conference, London, 30th April, 1907.

JUTE, cotton and rice are the basis of over a half of India's export trade. The balance of the outflowing stream is made up of between thirty and forty little currents, of which the chief, in the order of their importance to India, are hides and skins, seeds, tea, opium and wheat (including wheat flour). The proportion that the exports of these commodities bear to the whole volume of exports varies from between about 8 to 5 per cent. in each case. Tea we shall consider separately. Let us now glance at the position of these and of some of the other chief "materials," the export values of which in 1906-7 were over a million sterling:—

Hides and Skins - -	£10,232,513
Seeds - - - -	8,679,666
Opium - - - -	6,205,281
Wheat - - - -	5,228,972
Lac - - - -	2,333,183
Wool - - - -	1,617,694

The value of no other article exported in 1906-7 reached a total of £1,000,000 sterling, the nearest being "pulse, millets and cereals," £859,766.

In view of the world's annually increasing demand for leather, a country that can yield over £10,000,000 sterling worth of hides and skins per annum, like India, is a valuable Imperial asset. "Material" of this character, if our commercial policy be guided by intelligent ideals, will be most carefully conserved, and its manufacture in India, or at any rate within the limits of the Empire, be encouraged by all possible means. It will not for a moment be argued, even by those who may not hitherto have looked beyond the limitations of free trade, that the British Empire is so placed that it cannot economically manufacture leather. And yet foreign nations managed to secure for manufacturing purposes over 90 per cent. of India's raw hides and skins in 1906-7, whilst the United Kingdom bought only 9 per cent.! The principal nations to profit in this way were:—

The United States, who took - -	36	per cent.
Germany ,, - -	24	,,
Italy ,, - -	10	,,
Austria-Hungary ,, - -	9	,,
Spain ,, - -	4	,,
France ,, - -	4	,,

All these protectionist countries accept India's raw hides and skins free (excepting the United States, who

impose a small revenue duty the removal of which is now under discussion). At the same time all of these nations bar Great Britain's manufactured products by means of import tariffs. Can we be surprised in these circumstances that Britain's exports of boots and shoes to foreign countries are falling off, or that her total exports of leather manufactures to foreign countries are progressing far less satisfactorily than those of her chief rival—the United States? Exports of boots and shoes from the United States rose from £155,000 in 1894 to £1,448,000 in 1904! Why should Great Britain be left behind in a manufacture of this description?

In the absence of any protective tariff, most of India's manufactured, *i.e.*, tanned hides and skins go to the United Kingdom (93 per cent. in 1905-6). The tanning industry in India, however, is very backward (exports of tanned hides and skins in 1906-7 were only a small proportion of the whole, about 12 per cent.), and seeing what an extensive series of very excellent tanning materials are already available in the country, *e.g.*, acacia pods and bark, cutch, sumach, cassia, mangroves, myrobalams, etc., an intelligent commercial policy, directed solely in India's interests, would consider the imposition of a small export duty on raw hides and skins. If necessary, in Imperial interests, a rebate would be allowed on such hides and skins as were exported to, and for manufacture in, the United Kingdom. Great Britain would at the same time restrict its demand for all leather goods manufactured outside the Empire, by an effective import duty on such goods.

Shipments of seeds in 1906-7 were valued at Rs. 1,301 lakhs and represented 7 per cent. of India's total export

outflow. The following were the principal seeds dealt with and the monetary values of each :—

Linseed - - -	Rs. 325,99,000
Sesamum - - -	253,82,000
Rape Seed - - -	246,46,000
Cotton Seed - -	130,30,000
Ground Nuts - -	125,55,000
Castor Seeds - -	113,77,000
Poppy Seed - -	65,77,000

Linseed goes chiefly to the United Kingdom (Rs. 116 lakhs), France (Rs. 83 lakhs) and Germany (Rs. 43 lakhs). The largest buyers of rape seed are Germany (Rs. 47 lakhs), France (Rs. 63 lakhs) and Belgium (Rs. 81 lakhs). Sesamum and poppy seed are shipped mainly to France and Belgium, cotton seed to the United Kingdom, castor seed to the United Kingdom, and ground nuts to France.

We need not examine in detail the special policies suitable for making the most of each of the above seeds. The general principle is this: The British Empire yields (in India) over £8,000,000 sterling per annum of raw material for making oil, cattle food, etc. A far-seeing, statesmanlike commercial policy, recognising the great value of this Imperial asset, and perceiving that everybody who handled, transported, manufactured, sold, bought and consumed the same in its raw or completely manufactured state, must find employment, derive sustenance, accumulate profit, and add to the wealth and strength of the Empire, would therefore employ to some extent the resources of the State to bring about this most desirable result. Instead of allowing an *essential* to wealth creation to pass freely to the Continent of Europe in exchange for products of foreign labour that are not essentials to wealth

creation, we should say to Germany or France, or whoever it may be: "We are quite agreeable to let you have these essential raw products without hindrance provided in return you also accept without hindrance our manufactured goods. We cannot see why we should allow you to exclude from Germany the linseed oil we manufacture in England, and at the same time permit you to remove freely from us the seed from which to express this very same oil, for sale perhaps in England itself in competition with our own British-made oil. Unless therefore you take off your import duty on our linseed oil, we must put an export duty on our linseed." Such a policy as this would possess obvious advantages in maintaining the prosperity of British oil-crushing industries.

Opium to the value of £6,205,281 was exported in 1906-7. Most of this went to China. As Indian opium is superior to the Chinese article, and as, moreover, outside China, India practically possesses a monopoly of the production of this valuable drug, it is within our power to deal with it exactly as we may think best. The trade is already controlled by the Government of India, and we need not therefore do more here than express a hope that the efforts of the best brains of the civilised world to check man's excessive craving for this (and all other stimulants and narcotics) may prove successful. The demand for such is but little modified by tariff regulations that raise the price of any particular drug or spirit, and this fact makes these commodities most suitable for taxation for revenue-yielding purposes. In the case of opium we all recognise the expediency of controlling, in some measure, its free manufacture

and export in response to considerations of superior importance—nationally and internationally—to those of the mere profits that can be derived from the cultivation and sale of the drug. This is the identical great principle that advocates of a scientific commercial policy demand should be extended to the whole of a nation's trade—the recognition of Imperial considerations which in certain matters, *e.g.*, the development of manufactures and the raising of the standards of civilisation, rank superior to that individual liberty of action and resultant economic cheapness which have been sanctified under the name of Free Trade.

Wheat, lac and wool are the only remaining raw materials the exports of which from India in 1906-7 were each over £1,000,000 sterling in value. Of these WHEAT was by far the most important. India can now produce between 8,500,000 and 9,000,000 tons of wheat per annum, of which, under present conditions, anything between 10 and 25 per cent. may be available for export, all things being favourable. This quantity will steadily increase as the irrigation policy of Government in Northern India bears fruit and further areas of land are made available for cultivation. We have seen in a previous chapter: (1) that the United Kingdom already takes most of India's spare wheat; (2) that a rise of a shilling or even two or three shillings a quarter would not be likely *per se* to bring about a more rapid extension of wheat cultivation in India than is at present in course of development. The area devoted to wheat is already expanding as rapidly as local circumstances—land, water and labour—will permit. At the same time the benefits to Canadian and perhaps other

British wheat interests arising from a preferential import duty on wheat in the United Kingdom are such as to make it incumbent on India to support any fiscal reform calculated to strengthen British wheat-growers and consumers. LAC is a resinous extract (yielding also a rich deep red dye) of which India exported in all over £2,250,000 worth in 1906-7. It is most valuable in the manufacture of varnish and sealing-wax, and is in good demand also for several other industries—hat-making, lithographic ink, certain kinds of cement, etc. India enjoys a monopoly of this useful product, but nevertheless permits foreign nations, who tax British manufactured products, to remove the essential raw material from India entirely free of all duty. In 1906-7 the United States took Rs. 168 lakhs worth and Germany Rs. 59 lakhs. The United Kingdom found herself only able to purchase Rs. 91 lakhs worth as compared with Rs. 94 lakhs in the previous year. Thus do competing nations succeed in manufacturing an annually increasing proportion of India's raw material, and with a consequent corresponding loss of progress on the part of Great Britain. Of WOOL no country has a monopoly. There was a time when British wool and woollens were second to none in the world, and the British Empire can still manage to produce the raw product of as fine a quality as ever. India last year exported 46,000,000 lb., valued at Rs. 243 lakhs, of which the United Kingdom secured the lion's share—Rs. 232 lakhs. So far so good. In the meanwhile foreign nations, perceiving that England had no monopoly of the essentials to successful woollen manufacture, have one and all proceeded to enlarge and strengthen their own home demands and to

restrict the demand for Britain's woollen goods by imposing heavy import duties—in many cases almost prohibitive—against the manufactures of the United Kingdom. The following are the equivalents *ad valorem* :—

	Per cent.		Per cent.
United States	100 to 160	Germany -	33 to 66
Portugal -	100 ,, 300	Argentina -	30 ,, 100
Russia - -	70 ,, 120	France -	20 ,, 55
Spain - -	40 ,, 180	Belgium -	10 ,, 15

In face of the restrictions in the markets for British products, which foreign State action of the above character brings about, there is only one answer—if the Empire is not to be reduced to a mere raw material, labour and capital-yielding concern for the benefit of all other nations—and that is a rational commercial policy that will, where necessary: (1) withhold supplies of raw materials to foreign competitors except on such terms as may best encourage our own development; (2) restrict British demands for foreign manufactured products by the imposition of import duties corresponding to those by which foreigners restrict their demands for our manufactured goods; and (3) encourage as far as possible the growth, manipulation, manufacture, sale and consumption of British products by British agencies within British territories, and for the benefit of the peoples of the British Empire. This can all be done by a scientific regulation of the first essential to wealth production—DEMAND. And it will have to be done, and that soon, unless the further growth of the Empire is to be stunted, and a serious risk of dismemberment

be encouraged. There are already signs that the Colonies will adopt tariffs of yearly increasing hostility to Great Britain unless we take action to correct the tendency by meeting their overtures for preferential trade. Such a development, in addition to, and on top of, the existing hostile commercial policy of the rest of the civilised world, can only have one result in the long run. And that result it is impossible for any patriotic British subject to regard with equanimity.

XV.—BRITISH INDUSTRIES IN INDIA—NEGLECTED—IGNORED.

What I emphatically complain of is that you treat your own flesh and blood, your own kith and kin, in exactly the same category as the foreigner. . . . If I had a boy of my own, I should look after him before I looked after a foreign boy.—The Hon. Sir W. Lyne, K.C.M.G., Minister of Trade and Customs (Australia) at the Colonial Conference, London, 2nd May, 1907.

What has been already said regarding the futility of allowing the main currents of India's great export stream to flow past us, neglected and untouched, to discharge portions of their volume into, and so to fructify and add to the industrial wealth of, eager and powerful national rivals, applies with equal force—*mutatis mutandis*—to the minor currents—food products such as barley, jawari, grain, spices, pepper, ginger, chillies, coffee, etc.; vegetable products like caoutchouc, coir, tobacco, indigo, teak, etc.; and minerals such as mica, saltpetre, coal, oil, manganese ore, etc. Most of these at present are, it is true, secured by, and for the benefit of, the British Empire; but this is not the result of any carefully thought out national commercial policy, but rather the outcome of accidental conditions which our great national rivals are year by year slowly, but steadily and methodically, proceeding to correct and develop in their own interests.

Amongst the minor industries of India—minor, that is, in monetary value, but nevertheless of special political and national importance—are four to which it will be well to give special attention. Not only are they of peculiar interest to consumers in the United Kingdom, but they have attracted British labour and British capital to the East in a way that it might be imagined would stimulate the enthusiasm and sympathy of the people of Britain. Yet, strangely enough, so painfully apathetic has the Mother Land become to the welfare of her own children in India, that she not only declines to recognise their existence by any special act of kindness or consideration, but, blinded by her worship of an economic dogma of cheapness altogether unworthy in one so great, she actually selects the industries of two of these particular children for home taxation of a particularly crushing and unfair character! I refer, of course, to tea and tobacco. Coffee and indigo are the other two unfortunates.

Coffee cultivation was first developed on a large scale in India (chiefly in Mysore, Coorg and Travancore) about forty years ago. The product was of excellent quality and in strong demand in Europe. Exports reached a climax in 1905-6 when 360,182 cwt., valued at over £1,170,000, were shipped out of India. For some years past, however, the industry has been seriously checked by the production of vast supplies of cheap coffee in the Brazils, which caused prices to fall by quite one-half. At the present day the United Kingdom imposes a duty of 1½d. per lb. on coffee, levied indiscriminately on the British as well as the foreign product. Seeing that England buys from France, Germany and

Holland as well as from South America, it might be imagined that when she found her Indian product grown by her own children being jeopardised by vast supplies of inferior coffee raised in foreign tropical territories, economic and political considerations, to make no mention of a sentimental regard for the welfare of her own offspring, would have decided her to reduce or abolish the 1½d. per lb. on the British-grown product. Such was not done, however, and the Indian coffee industry was forced to swallow its discomfiture, and acquiesce in its partial extinction with the best grace it could show. As though this were not sufficient, a few years ago France suddenly and unexpectedly threatened a new tariff rate that would have killed India's coffee trade with her altogether. Luckily in Sir Edward Law and Lord Curzon the Empire possessed statesmen with an Imperial outlook, and an arrangement was concluded in February, 1903, that saved India for the time being. Indian coffee, however, still finds it most difficult to stand against inferior South American products. How long will it be before Great Britain is able to perceive that the interests of her own kith and kin in India are more to her in this matter than the welfare of Brazilian and other foreign coffee-planters?

The position of indigo is very striking. As in the case of calico, the importation of which into England was once prohibited in the interests of the Lancashire weaving industry, so, too, with indigo. The success of the dye shipped from Surat was once so great that in the seventeenth century most European countries passed edicts against its importation which then threatened the ruin of the woad growers and merchants of Germany,

France and England. The tables are now so completely turned that we are face to face with the spectacle of India's indigo industry threatened with ruin, owing to the competition of the synthetic dye evolved by the chemists of Germany! For the ten years ending 1899-1900 an average of 2,000 square miles were given up to the cultivation of indigo, and in Bengal the crop was largely raised by British planters. The business reached a climax in 1895-96 when 187,337 cwt., valued at £3,569,740, were exported from India. From this time, when artificial indigo was competing keenly with the natural product, the trade has been slowly killed, till in 1905-6 only £390,000 worth was exported (of which, it may be mentioned, Egypt was the chief purchaser). Hopes of saving the industry by new methods, new seed, etc., are still entertained, but the obvious means of bridging over the period of transition continue to be ignored. Sir Edward Law has clearly indicated those means in Paragraph 73 of his minute to the Government of India's preferential tariff despatch of 22nd October, 1903: "If," wrote India's late Finance Minister, "in accordance with the general foreign system of tariffs, the United Kingdom were to impose a reasonable duty on synthetic indigo, as a chemical compound, whilst admitting natural indigo free, as a raw material, the difficulties of our indigo planters would disappear as by magic. *And this is perhaps not too much to expect, the competition between the two articles being so close that the manufacturer could not appreciably suffer by the exclusion of one or the other.*" Alas, these wise words have so far fallen on deaf ears.

Tobacco has flourished to a small degree in India ever

since its introduction by the Portuguese at the beginning of the seventeenth century. In spite of the drawbacks to the habit, the world's demand for, and consumption of, tobacco is yearly increasing, and over 1,700 square miles are now under tobacco cultivation in India alone —mostly in Bengal. The Indian trade, until checked by recent competition from America, has done fairly well, and the manufacture of raw tobacco in India holds out great promise, if only a rational commercial policy be substituted for the present slipshod and unscientific British tariff. Great Britain imported over 100,000,000 lb. of unmanufactured tobacco in 1904 and over 83,000,000 lb. in 1905. Practically the whole of this was purchased from foreign suppliers, although India could have supplied at least 12,000,000 lb. in each of those years. India's exports in 1906-7 were 20·9 million lb. of raw and 1·3 million lb. of manufactured tobacco, valued at Rs. 20·5 and Rs. 10·5 lakhs respectively. Most of the raw material went to the Straits, Aden, China and Holland, whilst the Straits, the United Kingdom and Gibraltar were the chief purchasers of Indian cigars. Great Britain imposes a tax of 3s. per lb. on raw, and 3s. 10d. per lb. on manufactured tobacco. Singularly enough this difference of 10d. between the duty charged on the raw material and that on the manufactured product is exactly in accordance with the fiscal policies of all our greatest competitors; but it is a strange spectacle in the midst of Britain's free trade customs tariff. Its effect in actual practice is to enable British capitalists to erect factories in England for the manufacture of tobacco (thus employing British labour, and adding to British wealth); and it is indeed at once the source and ex-

planation of Great Britain's existing tobacco industry![1] Another and far less gratifying result of the homeland's present tobacco tariff is the fact that as the duty is charged at so much per pound, irrespective of the value of the tobacco, India's leaf, which is of comparatively low value, is handicapped by a far heavier duty *ad valorem* than any of the high-priced American tobaccos, and with the result that Indian raw tobacco is practically prohibited from the United Kingdom! Thus does Great Britain's present fiscal policy discriminate in effect in favour of America, and against British tobacco interests in India. Were an *ad valorem* rate of duty substituted in Great Britain for the present primitive and unsatisfactory system, India tobacco-growing would receive a marked encouragement. As it is, Britain practically shuts out the product of British industry and at the same time welcomes German and Dutch produce grown by sweated labour in the free-silver islands of the Malay Archipelago.

The facts concerning the tea industry are so well known that it is unnecessary to repeat them at length. The United Kingdom imports annually from 308,000,000 to 312,000,000 lb., of which about 270,000,000 lb. (or 6·18 lb. per head of population) are for home consumption. Most of this is now procured from India and Ceylon, but still China and Holland (*i.e.*, Java) supply some 30,000,000 lb. to 40,000,000 lb. every year, a large portion of which might be diverted to British channels

[1] In exactly the same way the difference between the import duty in the United Kingdom on raw cocoa (1d.) and that on manufactured cocoa (2d.) is the means by which a flourishing chocolate industry is retained in England.

by a rational policy operating through the agency of retail prices and a scientific tariff. India exported in 1906-7 no less than 2,337,000,000 lb. valued at over £6,576,000—almost enough, without the assistance of Ceylon even, to satisfy the whole of the home demand. The United Kingdom, however, purchased only 75 per cent. of India's product, the balance flowing in the following directions :—

Canada - -	14,494,000 lb.	Russia - -	13,761,000 lb.
Australia -	9,499,000 „	China - -	4,820,000 „
Ceylon - -	4,825,000 „	Turkey (Asiatic)	3,101,000 „
Other Countries	5,244,000 „	United States	1,749,000 „

This may be regarded as very satisfactory as far as it goes; but, all things considered, it does not go nearly far enough. Granting the suitability of India for tea cultivation and manufacture, recognising the industry to be one that employs large quantities of British labour (coloured and white well over half a million in all) and British capital (£14,540,875 joint-stock capital plus large sums of private capital), and that is therefore a source of economic and political strength to India and the Empire as a whole, a wise Imperial policy would encourage its rapid development by all means in our power. Instead of which not only does the mother land check consumption by the imposition of an outrageously heavy duty (on the "poor man's food," too, for no beverage is more widely popular amongst the bulk of the population of the United Kingdom than tea), but, having no means of influencing the commercial policies of other nations, she is forced to acquiesce in demand, being further restricted by the scientific commercial tariffs of those same nations, one of whom, Russia, with

a 300 per cent. duty, seems anxious to prohibit the sale of Indian tea altogether in Russian territories. The recent reduction of Great Britain's duty to 5d. per lb., tardy as it was, gave considerable satisfaction in India, and at once revived a rather despondent industry. This policy, however, needs to be carried much farther. The most elementary business considerations (to make no mention of a sentimental preference for a struggling British industry, or a political recognition of the value of white planters in a corner of India rather inclined to unrest, or a general statesmanlike foresight and appreciation of the advantages of developing rather than checking the growth of British industry) — all these considerations demand that Britain's present heavy duty on British-grown teas should be reduced to, at the most, 2d., or, preferably, abolished altogether. There is not the slightest difficulty in finding sources of revenue that, equally fruitful, will bear less heavily and less directly on both British producers and British consumers.

Sufficient has now been written to fully confirm Sir William Lyne's emphatic complaint at the head of this chapter. Great Britain's present fiscal policy makes no distinction whatever between her own kith and kin and the children of foreign national rivals whose progress and strength in the future must of necessity involve dangers to the British Empire. True and deplorable as this is of the tea and coffee, tobacco and indigo industries of India, it is equally true and ten times more significant in respect of the expanding populations of Canada and Australia. Those populations in the course of the next few years will exceed the population of the United Kingdom. Are we going to make an effort to

bind these expanding colonial nations to us by a system of mutual preference for each other's products, or shall we tell our own children: Go your own way, do as you please, make preferential trade agreements with foreign nations if you will, but don't expect us to make any such arrangements with you?

XVI.—INDIA'S BALANCE OF TRADE: ITS STRENGTH.

The risk to India from foreign hostile tariffs which I have always maintained to be small, has in recent years been reduced by an improvement in the situation as regards exchange. . . . The gold reserve fund has reached very high important proportions, and if it be not tampered with, but allowed to increase automatically, the Indian position as regards stability of exchange is immensely improved.—SIR EDWARD LAW's letter of 14th August, 1907, to the *Manchester Courier*.

SUFFICIENT has now been written clearly to indicate the methods and principles by which the great currents of India's export and import trade might, if necessary, be utilised to bring about results other than, and in addition to, the various profits which the manipulation of that trade yields to the individuals immediately concerned therein. The next point we have to consider is —Would the treatment of the currents in the ways suggested involve a risk of our so checking or deflecting the streams as to jeopardise the advantages which their flow already affords us? "If," wrote Sir Edward Law in paragraph 138 of his Preferential Trade Minute of 31st August, 1903, "India's export trade with foreign countries were in any way seriously prejudiced, we should run a very grave risk of disturbing the balance of trade, now strongly in our favour, and we might find

ourselves once more plunged into the deep sea of trouble arising from a depreciation of the exchange value of our rupee currency." This, then, is the possibility we have now to consider.

In the course of our examination of the great export and import streams of India's external trade, we have likened the machinery of a scientific tariff to the mechanical devices whereby the engineer utilises the current of a great river. The simile will be found to be thoroughly sound even in the smallest details. In constructing the water-works—irrigational and power-transmitting—that have reflected world-wide fame on the engineers of India and America, the brains that devised them of necessity weighed the possible results of the various projects on the flow of the rivers whose currents it was proposed to employ. Needless to add, the canals of Sind and the Punjab have not exhausted the Indus, nor have the electrical-power works of Buffalo and Ontario stopped the flow of Niagara. Such things might have happened, however, and it was only prudent therefore for the engineers to include these possibilities in their considerations. At the same time, the architect who produced a fiasco of this character would leave but a poor reputation behind him; and had the commercial policies of President McKinley and Prince Bismarck brought the United States and the German Empire to ruin and desolation, we should hear very little at the present day about the advantages of Tariff Reform or of Preferential Trade for the British Empire.

Four years ago, when the Government of India penned its celebrated Preferential Trade Despatch, circumstances were somewhat different from those with

which we are now face to face, and the risk of checking India's exports by tariff legislation was a possibility upon which the Government of India placed considerable emphasis.

"India is a debtor country" . . . so wrote the Indian Government in 1903. . . . "Her net obligations are approximately £16,000,000 sterling per annum. The major part of this great charge is payable in a currency different from that in which her revenues are collected. The only means consistent with national solvency of discharging this obligation lies in the preservation of an equivalent excess of exports over imports; in other words, in maintaining a sufficiently favourable balance of trade. It is, therefore, a vital object with us to stimulate our exports by every means in our power, to seek new markets and develop old ones, and to remove all obstacles which stand in the way of growing external demand. If then, notwithstanding the safeguards which we possess, we should unhappily be drawn into tariff wars with powerful countries, it cannot be doubted that, whichever way the ultimate victory might incline, our export trade would for the time being be injuriously affected. Such a result would be fraught with the gravest consequences. By ten years of effort, sacrifice and perseverance, we have slowly built up a fair measure of public confidence in the stability of our finance. Exchange has been steadied; our credit is good and improving; our rupee securities are rising in relative value in the London market; and we have created the nucleus of a reserve of gold. But if by a change of fiscal policy the balance of trade in our favour should dwindle or disappear, the whole work

of ten years would be sacrificed; and the set-back to our trade, our revenues, and our credit would immensely outweigh any benefits that we might reasonably expect from the most unconditional surrender of our opponents in the war of tariffs."

Of the general accuracy of the assertion that no debtor nation can pay its debts unless it possesses the means, there can be no question. Of the truth of the proposition that in the case of India the best means of meeting her gold liabilities is by a sale of her surplus products rather than by an export of her precious metals, there can also be no possible doubt. At the same time in laying such great emphasis on a succession of possibilities, each one of which is open to a considerable difference of opinion, there is room for a belief that the Government of India adopted an attitude of excessive caution hardly consistent with that strength and dignity which attach to an Empire of the wealth and power of Great and Greater Britain. If India became involved in a tariff war, and if that war injuriously affected the volume of her exports, if in consequence the present favourable balance of trade dwindled or disappeared, and if a change in the balance of trade, as shown by official statistics, meant an inability to meet her liabilities to Great Britain, even if all these hypotheses be regarded as probabilities, convertible into a succession of certainties, should India venture to adopt the same policy towards Germany or America as those countries have already adopted towards India, then the least, and the utmost, India could do, would be to inquire of the mother land if she considered the game worth the candle: nothing more. Seeing, however, that no

country's official statistics are a reliable indication of the balance of the country's foreign trade, seeing that the accounts of the Government of India are no exception to the rule, seeing that India has already been engaged in one or two little tariff "wars," and, so far from suffering, has always scored, and seeing more particularly that India's yearly increasing exports consist largely of raw materials of which either she commands a monopoly or can produce so cheaply and in such profusion as to always find markets in temperate zones, taking all these facts into consideration, there are good reasons for carefully re-examining the whole position, the more especially as we have certain new material of a most important character at our disposal which the Government of India of necessity lacked in 1903.

First, a word regarding balances of trade generally. The theory is that international balances are ultimately adjusted by transfers of currency, specie, or bullion; that these transfers affect the general level of prices; that prices in a country losing the precious metals fall; that other countries accordingly check their despatches of goods for sale in a country where prices are low; that the adverse balance of trade in such a country is thus corrected. With an inflow of precious metals a rise in prices follows: this attracts imports and checks exports: again the balance of trade is corrected; and so on. The theory is a very subtle one and reflects great credit on the economists who have expounded it. At the same time, there are so many exports and imports of which official statistics take no account, so many influences at work other than those that find expression in the Customs Returns, that it is extremely difficult if not

impossible in practice to draw definite inferences from the statistics of international trade. For example, the following figures are susceptible of various explanations :—

	Total Exports (Millions).	Total Imports (Millions).	Balance of Trade.
The United Kingdom	£376	£523	Very adverse.
France - - -	201	209	Slightly adverse.
Germany - - -	306	392	Adverse.
The United States -	369	275	Favourable.
Russia - - -	110	61	Very favourable.

As a matter of fact, movements of bullion do not in any way correspond with the balances revealed above. Russia is *not* receiving £50,000,000 a year in gold, nor is Great Britain exporting 240 odd millions of sovereigns per annum. Nor are prices in England steadily falling and those in Russia and the United States steadily rising. All which being so, we are fully prepared to find some peculiarities in India's balance of trade. Here are the official figures for the last five years :—

Years.	Balance of trade in favour of India merchandise only. Govt. transactions included (Millions).	Against the Balance of Trade.		
		Secretary of State drew (Millions).	Private imports of gold and silver (Millions).	Total (Millions).
1902-3	£29	£18	£11	£29
1903 4	39	24	17	41
1904-5	31	24	16	40
1905-6	31	22	11	43
1906-7	41	33	26	59
	Total, £174			Total, £212

From this it appears that during the last five (indeed, four) years India has received in precious metals and in British services, etc., £38,000,000 more than her due, judging from the above official returns of the balances of her trade. This calls for explanations which, however, it is not proposed here to attempt. It may be mentioned in passing, that the records of India's external land trade are well known to be far from complete, and that the records of the sea-borne trade omit (1) all trade between ports in Native States on the West Coast of India, Persia, Arabia, etc.; (2) all exports of pearls from Bombay by letter post; and (3) all exports and imports from and to the French and Portuguese settlements. Further, the Customs Returns make no effort to record transfers of capital or of profits to or from India.

These matters are only mentioned to show that the margins indicated by the official statistics of India's balance of trade must on no account be taken as positive or exact measures of India's proximity to currency disaster and financial ruin. There are other margins which, though unrecorded by Government, are nevertheless quite tangible and real. And in the last resource, the matter being one between Great Britain and her chief dependency, there is British financial skill, credit, and determination—sheet-anchors that will assuredly easily hold the Indian ship in a last emergency. As it happens, however, there is not the least likelihood of any desperate remedies of this character being necessary. Indeed, there is not the least likelihood of the majestic outflow of India's great export current ever being checked or perceptibly interrupted, no matter what

threats foreign States may emit, or what weirs and dams our timid imaginations may throw across the flowing flood. First of all, nearly 40 per cent. of our exports (jute, jute goods, opium, til seed, lac, teak, myrabollams, etc.) are materials of which India enjoys a practical monopoly. For foreign nations to check their purchases of these products would spell ruin to some of their own industries. Another 40 per cent. (cotton, rice, hides and skins, tea and wheat) flows mostly either to other parts of the British Empire or to countries with whom we are not in the least likely to quarrel, and there is consequently no risk of serious diversion so far as this proportion is concerned. The remaining 10 per cent. of the current is made up of dozens of tropical products of a special character and of exceptional cheapness. Wherever they may be offered they are quite sure to find a strong demand. Many of them are already secured by British buyers or by non-competing foreign nations, and we can rest assured, therefore, that this portion of our export stream is in no danger. Taken altogether, then, we can see no possibility of the river being stemmed or interrupted in any way. Let us, however, glance at our position from another aspect. In 1906-7 most of India's export trade flowed in friendly directions (the United Kingdom, 27 per cent., China, 11 per cent., Japan, 4 per cent., smaller proportions to the Straits, Ceylon, Egypt, etc.), but about 37 per cent.—over a third of the whole—found its way to nations whose tariffs, so far as manufactured products are concerned, are hostile to British interests. Thus :—

Germany	purchased	-	11·0	per cent.
The United States	,,	-	9·0	,,
France	,,	-	6·4	,,
Belgium	,,	-	4·1	,,
Italy	,,	-	3·3	,,
Austria-Hungary	,,	-	3·3	,,

What is India's position with regard to these particular countries? Sir Edward Law has admirably summarised the situation in the following words extracted from his Minute of 31st August, 1903 :—

GERMANY. "It is unlikely that Germany could profitably in her own interests impose even moderate duties on commodities received from India."

UNITED STATES. "It is unlikely that it would be in the interests of the United States to institute a tariff of high duties on imports from India."

FRANCE. "The only important articles of export to France on which it would appear that without more or less serious prejudice to her own interests she might impose high duties are coffee and cotton. As regards the former, we have recently made special and relatively satisfactory arrangements: and as regards the latter it is by no means certain that French cotton industries could afford to dispense with a cheap supply."

BELGIUM. "It is probable that a great part of the Indian produce imported into Belgium is in transit for Germany, and no duties could therefore be levied thereon without loss of the transit trade. Wheat trade might be speedily stopped by a high duty."

ITALY. "Possible that the export trade to Italy in such important articles as cotton, raw hides and linseed might be seriously checked by tariff discrimination against Indian produce."

AUSTRIA-HUNGARY. "Situation in many respects doubtful."

From the above it would appear that a small percentage—five or six per cent.—of India's exports might be liable to some injury by hostile tariffs on the part of

Belgium, Italy and Austria-Hungary. As India imports more from Austria-Hungary than she exports to that country, and as these imports are all manufactured commodities, it can be taken for granted that India is quite safe in that direction. Belgium and Italy alone remain. Belgium sells to the United Kingdom £28,000,000 worth of goods each year, and takes in return £14,000,000 worth of British goods. Obviously there is no occasion for anxiety on the part of the British Empire so far as Belgium is concerned. With regard to Italy—Great Britain's friend of centuries—the United Kingdom purchases only £3,300,000 worth of Italian produce annually, whilst Italy takes £9,700,000 of British goods. Here then is the only weak spot in our armour. The reader may be left to judge of its gravity.

There is still another feature of the balance-of-trade argument a consideration of which should completely dispose of this branch of our subject. In 1903, when the Government of India discussed the matter, the Gold Standard Reserve stood at between only £3,000,000 and £4,000,000, which was admittedly altogether inadequate. There were reasons, therefore, that made the balance-of-trade argument of greater moment then than now when the Government have very nearly £14,000,000 at its back. Lord Curzon, it will be remembered, hazarded the opinion that £10,000,000 might be sufficient to insure the permanent stability of the rupee in the neighbourhood of 1s. 4d. Sir Edward Law considered £20,000,000 an adequate reserve; whilst later estimates have placed the figure at one-half the Secretary of State's drawings for three years (to allow, that is, for three years' consecutive failure of

the rains and consequent bad trade); this would mean about £25,000,000 to £27,000,000. Be these estimates low or high, the facts remain that the Secretary of State last year decided to appropriate £1,000,000 sterling from the Reserve to the purchase of rolling stock for Indian railways; that one-half of the profits on the manufacture of rupees were to be annually devoted to railway developments in the future instead of being carried to the Gold Standard Reserve; and that the general public as a whole have acquiesced in the wisdom of these proceedings. In plain language, neither the merchants and financiers of India, nor the Secretary of State and his expert advisers at home, any longer feel any great anxiety regarding the balance of India's trade or the possible consequences to the currency and finances of India of any probable fluctuations in that balance.

Our conclusions then are: (1) that desirable as it unquestionably is to maintain a substantial excess of exports over imports, especially in the case of India, too much reliance must not be placed on margins that may mislead and statistics that are incomplete; (2) that the nature and volume of India's great export stream is a source of strength whose power under no conceivable combination of circumstances is likely to be materially diminished; (3) that India's favourable balance of trade will assuredly expand and add to India's strength in the future rather than contract and create anxieties and risks of currency and financial difficulties; and (4) that in any case the present magnitude of the Gold Standard Reserve, which is yearly increasing, will, if wisely administered, thoroughly assure the stability of the rupee

and success for the Government of India's financial policy. In short, the balance-of-trade argument, weighty as it may have been four years ago, is no longer a predominating factor in a consideration of the Indian Preferential Trade Problem.

XVII.—INDIA'S HIGHEST INTERESTS DEMAND AN IMPERIAL TRADE POLICY.

We all know what a large part sentiment plays in this great Imperial idea. We all recognise also that to be lasting and permanent there must be added to it some community of material interests; and it seems to us, so far, that Mr. Chamberlain's proposal is the only feasible solution. Of course there are great difficulties ahead, but I feel sure that the idea of Imperial unity will be carried out. It is an important matter for us Colonists, and seeing the great vista in front of us, I say we should put our best energies into the work. . . . We should sink all our individual differences, and so make ready to take our part in bringing about that great ideal.—DR. JAMESON, Premier of Cape Colony, at Grahamstown, 1903.

WE are now in a position to commence to draw together the several conclusions which our examination of the subject of Tariff Reform, and especially of India's position in relation thereto, has brought to light. In the foregoing chapters an effort has been made to deal with the subject methodically, firstly by a consideration of the principles underlying modern commercial State policies as opposed to the *laisser-aller* free-trade system of Great Britain; next by an application of those principles to the present and future trade of the United Kingdom. This was followed by an examination of Mr. Chamberlain's proposals and the probable results of

their adoption by the people of Britain on the trade of India. Then came a review of the great Import and Export currents of India, considered in the light of the theories of commerce propounded in explanation of the national trade policies of rival nations; and lastly, an examination of the peculiar financial and currency conditions prevailing in India, together with the possible effects upon those conditions of any change in India's present fiscal policy.

So far as theory is concerned, our conclusion with regard to the merits of a scientifically constructed national trade policy *versus* a let things-take-their-own-course system of conducting trade, was that the latter policy, or, more accurately, absence of policy, had no more chance of success against the former than ignorance and neglect would have in competition with knowledge and sustained application in any other department of human effort. This elementary truth can be realised by an examination of the direction that industrial developments have been taking throughout Europe and America during the last thirty or forty years. Foreign nations, by carefully discriminating between what they will accept, and what they do not consider it in their interests to accept in exchange for their own products, have succeeded in building up profitable manufacturing industries which are now able successfully to compete with those of the United Kingdom. Further, by a carefully studied and highly scientific manipulation of that first essential to all wealth creation—DEMAND—foreign nations are making it more and more difficult every year for Great Britain to retain those markets for her manufactures upon the strength and purchasing

power of which the United Kingdom mainly depends for her continued economic and political supremacy. Indeed, by the operation of a simple law of mechanical production which makes the quantity produced the chief factor in determining the price of the individual product, the time is rapidly approaching when foreign nations, buttressed by a home demand numerically superior to that enjoyed by British manufacturers, will unquestionably be able to undersell Great Britain in most of those departments of trade wherein we have fondly hoped to enjoy a perpetual supremacy of cheap production. Apart from this coming development, the inferiority of the physical resources of the islands of Britain (in area, materials, and men) as compared with those of our greatest national rivals, make it inevitable that unless the resources of the whole of the British Empire be scientifically employed, and their development co-ordinated, unless, in short, the Empire be federated and one commercial policy of mutual preference adopted whereby British labour, British materials, British capital, and, above all, British markets are to some degree specially reserved for the avowed object of stimulating British Imperial developments—commercial and political—unless this policy be recognised and adopted, then the United Kingdom must inevitably find itself, in the not remote future, in a position of relative inferiority, a second or third rate Power, unable to spend as much as its rivals upon naval and military armaments, and exposed to the risk of annihilation consequent upon a probable separation or dissolution of the various Dependencies, Colonies and Possessions by which it is now surrounded and strengthened. The present Australian

Tariff proposals and the Canadian "intermediate" Tariff of Reciprocity with France are straws that clearly show the direction of existing Colonial currents. This is the conclusion not only of many of the greatest thinkers in England and the Colonies, but also of many far-seeing Foreign brains. Dr. Moritz Naumann, for example, a leading German economist, is convinced that England must abandon her present policy of free imports—"not merely constrained by the power of a single personality (Mr. Chamberlain), but compelled by the working of a general law". Mr. M. Paulient, a leading French Senator, recently said . . . "I am convinced that not only will Britain fall in with Mr. Chamberlain's scheme, but that in the position she is, she cannot do otherwise". So, too, Mr. Hummel, one of the shrewdest lawyers in America—"Mr. Chamberlain is wise in his generation. He is simply voicing a policy to which England must come in self-defence. If she does not, down she goes in the great commercial strife of nations."

The position is one of very grave moment to India. If by any unforeseen calamity, or by a national neglect of those tariff precautions which so many regard as essential to the continued well-being of the Empire, British authority should be checked, defeated or overthrown, India would at once become the prey of the victorious power or powers; and with results that would speedily open the eyes of the people of India to the unprecedented liberty and generosity of British rule. Let there be no mistake on this point. A similar risk overhangs all the British Colonies who are as a matter of fact in a far weaker and more defenceless condition than India, with its magnificent local army

and its numerically overwhelming populations. The position is quite clear to Colonial statesmen, and the recent conference in London witnessed the whole of the self-governing Colonies urging Great Britain to reform her commercial policy so as to meet the present and future economic and political pressure of rival powers. India's course is clear. Self-interest, duty, imperial instincts and patriotism all point in one and the same direction. India must also press upon the people of the United Kingdom the necessity of constructing an Imperial commercial policy that will, in the words of the resolution passed at the Colonial Conference of May last, "stimulate and facilitate mutual commercial intercourse". . . and so . . . "by promoting the development of the resources and industries of the several parts, strengthen the (whole) Empire". India's duty in this matter is peculiarly imperative, for the reason that outside the United Kingdom she is, in truth, by far the most important and influential factor in the whole problem. Not only do her purchasing capacities place in her hands powers of life and death over great industries and millions of men and women engaged or connected therewith, but the peculiar nature and volume of her raw products are such as to give her an economic strength unequalled by that of any other tropical country in the world. Combining this strength with that of the United Kingdom (which purchases very much more from Germany and the United States than those countries buy from the United Kingdom, and which is in truth the largest and best market for all our national rivals), it becomes obvious that the British Empire possesses economic resources of such

overwhelming power as to enable her to pursue any course she may find best in her own interests, exactly as all other nations do, and without the slightest regard or fear for the actions of such nations in consequence thereof. By this it is not intended to convey that, having a giant's strength, we should forthwith suddenly proceed to use it as a giant—entirely regardless of the consequences. It is very necessary, however, that we should all clearly understand and appreciate our real economic position, and also the many ways in which that position can, in case of emergency, be turned to account.

At the moment, general considerations of national policy and the present semi-developed condition of public opinion in England make it expedient that the first step forward in the direction of Preferential Trade within the Empire should be a very modest one. India's contribution to the great movement might, for the time being, be restricted to a hearty support of the scheme which Mr. Chamberlain placed before the British public in Glasgow in 1903, accompanied, however, with a demand that the interests of the indigo and tobacco industries of this country should receive recognition therein. In practice this would mean a marked encouragement to the growth and manufacture of Indian tea and tobacco; a slight fillip to coffee and sugar; and a certain moral support to wheat and jute. The combined effect of these changes upon the trade of India as a whole would be comparatively small—possibly hardly more perceptible than Mr. Chamberlain assured the people of England would be the results of the introduction of his scheme on the weekly budget of the

working man of the United Kingdom! This, however, is exactly how a change of this far-reaching character should be inaugurated—that is to say, with as little disturbance and inconvenience as possible. Apart from the immediate results on prices, production, and consumption, the recognition of the great principle of mutual aid by mutual preference for each other's products, would unquestionably electrify the Tariff Reformers of Great and Greater Britain, and would have a profound effect upon the commercial policies of the whole civilised world. It would everywhere be seen that the British Empire as a whole had at last made up its mind to use its united strength, intelligently and methodically for the protection of Britain's work-people and manufacturers, and for the furtherance of imperial British interests throughout the globe. The acquisition of economic and political power involved in the fruition of such a policy would add greatly to the security of the Empire, and of every member of the Empire. India at present being the richest and most populous of Britain's Dependencies, has the greatest risk at stake and the most to gain by the continued growth, health, and strength of the Empire as a whole. India should therefore be the first to give its support to an imperial commercial policy calculated to bring about so desirable a result.

In the meantime, if mutual aid by means of mutual preference be a sound principle on which to build empires, is it not equally sound when applied to the component parts of which empires are constructed? India may perhaps well employ the time that must elapse before Tariff Reform finds general acceptance in the

United Kingdom, in considering how far her own local interests, more particularly her industrial development, would be likely to benefit by a local application of these same principles. Here we have the subject of our next and last inquiry.

XVIII.—A POLICY FOR INDIA—THE CULTIVATION OF DEMAND.

It cannot well be a mere accident that the destinies of this country (India) have been entrusted to the guidance of a nation whose characteristic strength is opposed to all our weaknesses; whose enterprise, chiefly in commerce and manufactures, knows no bounds; whose capital overflows the world; among whom contract has largely superseded status, and competition and co-operation play a predominant part; and whose powers of organisation have never been surpassed. . . . We have to work against great odds, but we have natural aptitudes, undeveloped but unlimited resources, peace and order, the whole world open to us, and marvellous situation as the emporium of all Asia—these priceless advantages well secure success, if we endeavour to deserve it by striving for it.—The late Mr. Justice Ranade, C.I.E., at Poona, 1892 and 1893.

Whatever ideals we may hold with regard to the future of India, the first fact to be faced is, that without the surpluses yielded by successful trade, no material advance—individual or national, social or political—is practicable. If, then, we desire to carry forward the march of progress and civilisation in India—and our presence in the East at the beginning of the twentieth century implies such a motive—one of our first efforts must be to stimulate commercial developments in every practical way. Admitting this duty, and proceeding

forthwith to devise means and methods of carrying it into effect, we are quickly in sight of a possible complication, *viz.*, the probability of a clash of interests between the producers and manufacturers of Great Britain and those of her chief Dependency. How to meet and overcome this complication is the crux of the problem of Preferential Trade so far as the local interests of India are concerned.

Half a century ago, when many great thinkers took it for granted that the British Colonies were incumbrances that only meant expense and trouble to the mother land to be followed in the end by certain separation, it was considered a wise policy to hasten this inevitable development. Cobden himself was of opinion that . . . "the Colonial system with all its dazzling appeals to the passions of the people, could never be got rid of except by the indirect process of Free Trade which would gradually and imperceptibly loosen the bonds which united the Colonies to us by a mistaken notion of self-interest". . . . Fiscal freedom was granted accordingly. As to the consequences of this step, there can be no doubt that Cobden was right. It was in his premises that he exhibited a lack of foresight. Lord Beaconsfield (then Mr. Disraeli) took quite another view, a truly imperial aspect, and worthy of the greatest Imperialist of the age. He condemned this granting of fiscal independence for the specific reason that it was calculated to bring about that identical disruption which Cobden and his short-sighted supporters were so anxious to expedite. All the world now recognises that Britain's Colonies and Dependencies will be the chief source of her strength in the near future; and

there are few but will agree with Lord Beaconsfield's conclusion that the interests of Britain would have been better served had the Colonies been bound in the first instance to construct their tariffs with some consideration for the commercial interests of the United Kingdom. For the time being, at any rate, those interests unquestionably predominate; and ready and hearty recognition of this indisputable fact is one of the first steps on the way to a statesmanlike solution of the great problem before us. Just as one of the functions of religion is to secure the willing sacrifice of individual interests in the interests of the race as a whole (such sacrifices would never be made by reasoning beings without the aid of an ultra-rational stimulus), so, too, imperial patriotism must decide us to forego, where circumstances demand it, some portion of the advantages that individual sections of the Empire might enjoy were they to pursue a commercial policy wholly independent and regardless of the local conditions and needs of the mother land—in truth the heart and brain of the whole organisation. Great Britain's self-governing Colonies will surely come to recognise this great axiom before long, perhaps voluntarily: more likely, by aid of the coming realisation of the principles of Preferential Trade. In the meantime, India, with her magnificent traditions and vast economic strength, can if necessary very appropriately lead the way.

As a matter of fact a careful examination of the whole position with regard to India reveals the fact there is not the least likelihood of any serious sacrifice of interests being necessary on either side, either by India or Great Britain. A few years ago the late Mr. Justice Mahadev

Govind Ranade delivered a succession of lectures in Poona showing conclusively how utterly hollow and inapplicable were many of the supposed axioms of orthodox Western political economy when applied to Eastern conditions. Nobody who desires to understand these matters, should omit to study Mr. Ranade's enlightening *Essays on Indian Economics*.[1] With regard to current Indian conditions, that great mind pointed out that although . . . "the aptitudes of climate and soil facilitate the production of raw materials, and labour is both cheap and plentiful" . . . still . . . "labour is unsteady, unthrifty and unskilled; capital is scarce, immobile and unenterprising; co-operation on a large scale of either capital or labour is unknown. The characteristics of social life are the prevalence of Status over Contract, of Combination over Competition. Our habits of mind are conservative to a fault. Agriculture is the chief support of nearly the whole population, and this agriculture is carried on under conditions of uncertain rainfall. Commerce and manufactures on a large scale are but recent importations, and all industry is carried on on the system of petty farming, retail dealing, and job-working by poor people on borrowed capital procured at most exorbitant rates of interest. . . . The desire for (wealth) accumulation is very weak, peace and security having been almost unknown over large areas for any length of time till within the last century. Our laws and institutions favour a low standard of life and encourage the sub-division and not the concentration of wealth. Our religious ideals of life condemn the ardent pursuit of wealth as a mistake to be avoided as

[1] Published by G. A. Natesan & Co., Madras, price Rs. 2.

far as possible. Stagnation and dependence, depression and poverty, these are written in broad characters on the face of the land and its people," etc., etc. All which means, that even were the devices that are utilised to stimulate commercial developments amongst Western peoples applied to India, the results would be comparatively slight, and the progress extremely slow. If then we should decide to call in State-aid to encourage the treatment and manufacture of some of the raw products which an uncertain rainfall enables a struggling peasantry to produce in India, it would be as ridiculous as it would be ungenerous and undignified for the wealthy and expert manufacturers of England to step in and, relying upon a set of economic doctrines that have not the least application to the case, claim that their interests demanded that the sacred principles of Free Trade must not be violated in order to encourage Indian manufactures.

The true position is this: India's social conditions render it quite impossible for her to make industrial progress at anything like the pace to which we have been accustomed in the West, even were she allowed to impose an Import Tariff of the Canadian or Australian type against the mother land. On the other hand, England's overwhelming economic superiority as compared to the manufacturing potentialities of India in the near future, render her position sufficiently secure to enable her to be handsomely generous as regard tariff developments in her chief Dependency. And this generosity will no doubt find the widest possible operation when it is more fully realised at home how very important a part the products and peoples of India can

play in securing for the manufacturers of Great Britain greater demands for their products in the foreign markets of the world by the operation of a policy of Imperial Preferential Trade as outlined in the previous chapters. This being so, we can proceed forthwith to consider how India's interests can best be advanced by a scientific, commercial State policy. And in doing so, we shall assume in the people of England the existence of a spirit of give-and-take proportionate to the magnitude of the part that India can play in forwarding the interests of Great Britain's manufacturing industries.

India, as we have seen, is really extraordinarily rich in materials and manual labour. Demand it enjoys to a moderate degree, whilst in working capital it is unfortunately very poor. Government are doing something to encourage the growth, development, and utility of India's materials, labour and capital. Only in respect of DEMAND, the key and mainspring of all wealth production, is Government's action deficient in application and lacking in purpose. It is the scientific and methodical cultivation of this first essential to commercial progress that we, whose hearts are with India, must now urge with all the strength at our disposal. To create, develop and expand the DEMAND for Indian products, and for the products of Indian labour and brains, Indian skill and industry, Indian capital and resources, that is the problem before us. And that is exactly what a policy of Preferential Trade for India can achieve.

Demand, as we have already seen, can be classified under three headings—Home Demand, British Demand

and Foreign Demand. Let us take the last first. If we examine the Foreign demand for India's products as reflected in last year's export returns, we find it to be distributed chiefly as follows (its intensity can be realised by the percentage of India's total exports which each country purchased in 1906-7) :—

Germany - -	11·0 per cent.	France - -	6·4 per cent.
China - - -	10·9 ,,	Belgium - -	4·1 ,,
United States -	9·0 ,,	Italy - - -	3·3 ,,
Japan - -	4·1 ,,	Austria-Hungary	3·3 ,,

China may be omitted from our consideration as our business relations are already governed by special treaty; moreover, China imposes no unpleasant restrictions on her demands for Indian goods. With regard to the other nations, an examination of their various import tariffs reveals the fact that whilst practically all countries are willing to accept India's raw products free of duty, one and all restrict their demands for India's manufactured commodities. Even if the amount of Indian labour and capital employed be only sufficient to convert, say, jute cloth into a jute bag, foreign nations so restrict their demand for bags as to prevent that little labour and capital being employed (and consequently the profit and benefit being secured) in India. As Sir Edward Law recently pointed out in the *Manchester Courier*, the result of this state of affairs is highly prejudicial to the development of Indian industries. . . . "It is not in the interest of protective countries that Indian manufacturing industry should develop; it suits such countries better to confine the population of India to the position of hewers of wood and drawers of water to foreign manufacturers." Everybody will

agree with India's late Finance Minister that it is . . . "imperative that serious efforts should be made to change this situation in the interests of India's nascent industries which, with fair opportunity, are susceptible of immense development to the great advantage of the Indian peoples". A beginning could possibly be made with jute—a commodity in which India enjoys a practical monopoly, and the manufacture of which forms at present one of India's chief industries. Germany, the United States, France and Austria-Hungary all deliberately restrict their demands for Indian jute manufactures by the imposition of an import duty equivalent to one-fifth of the value of the goods. This policy might be met either by an "export" duty on raw jute or other essential raw products they particularly require (such as oil-seeds) or by an "import" duty on manufactured goods for which they are desirous of finding a market in India—such as sugar and glassware in the case of Austria-Hungary; wines and spirits in the case of France; the oil, cigarettes and cotton goods of the United States; and the hardware, cutlery, cotton and woollen goods of Germany. Such import duties would have the further effect of assisting both India and Great Britain's trade in these commodities. The same policy could be inaugurated for the benefit of Indian rice, Indian cotton and silk goods, hides and skins, tea, lac, wool, coffee, saltpetre and tobacco, the demand for which is deliberately checked by one or other of the principal nations of Europe and America generally with the special object of handicapping India's progress. Even where these goods are taxed by foreign nations only for revenue purposes, the

practical result to India is very much the same: demand is restricted and progress checked. The diminution or removal of such restrictions to India's commercial expansion should be one of the first considerations of Government.

Coming now to the question of the enlargement of British demands for Indian goods, the principle of Preferential Trade is fully recognised by Canada, Australia, New Zealand and South Africa. There is no difficulty therefore (beyond that which a section of the less informed people of England may raise) in arranging with those portions of the Empire for the largest possible demand for India's products. Australia and Canada have, it is believed, already made overtures, and it is for India now to respond. So far as the United Kingdom itself is concerned, as matters stand at present, tea, sugar, coffee and tobacco are the only Indian products that Great Britain taxes. The taxation, however, is so exceedingly heavy, especially in the case of tobacco and tea, that demand is unquestionably restricted and Indian interests accordingly suffer. A wise commercial policy will provide for the shifting of this altogether gratuitous and unnecessary burden from British to foreign shoulders. Admitting the necessity for raising revenues for the purposes of Government, Great Britain ought rather to tax manufactured products made by foreign labour and capital rather than Indian products, just as foreign nations at present tax manufactured articles made by British labour and British capital. Even assuming such taxation fell on the British consumer, its incidence would be no different from that of the current import duties on Indian tea and coffee, sugar and

tobacco, whilst the demand for Indian products, freed of all taxation, would be correspondingly enlarged. This is a line of policy which every Indian and Anglo-Indian should vigorously advocate.

We have now to consider how we can enlarge the Home or internal demand for Indian products. Already the Government of India expends a large sum on Public Instruction, in educating the latent wants and desires of the people of India. It is very generally recognised, however, that the amount expended is wholly inadequate to the requirements of the situation. At present not 2 per cent. of the population (of which an almost imperceptible proportion are girls or women) can read and write. Primary education with a little technical training and some elementary knowledge of the laws of health and sanitation, self-reliance and self-sacrifice, should be within the reach of all. The money for this policy of Demand-creation might be raised by harnessing the great export and import currents of Indian trade. The power is there; appropriate machinery for its transmission in the required direction is all that is needed. The other two practical devices for augmenting the home demand or market are the imposition of export and import duties so levied as to stimulate the manufacture within the country of those many raw products —jute, cotton, wool, oilseeds, rice, hides, skins, tanning material, etc.—which are at present largely wasted, so far as Indian manufacturing industry is concerned. Before the manufacture of raw products can be effectively stimulated by the slight rise in price which an export duty might cause with regard to the finished product, it is obvious that much must be done in the

direction of technical education and social regeneration within India. This branch of our subject therefore may be left to a consideration at some future date when local conditions have become more propitious. So far as import duties on manufactured products are concerned, there do exist in one or two directions opportunities for slightly stimulating Indian industrial effort. In the first place, import duties ranging from, say, 10 to 25 per cent. might very appropriately be levied on all manufactured products entering India from Foreign Nations. British manufactures would also be taxed, but on a lower scale, of course; the proceeds being devoted towards the creation of the revenue necessary for that all-important, extended primary education. In this connection it may be pointed out that the present Indian excise duties on certain cotton goods ought unquestionably to be abolished. Nobody in India, be he European or Native, regards them otherwise than an altogether unnecessary and indefensible sop to Lancashire. Apart from political considerations, however, these Indian cotton excise duties form one of the most extraordinary monuments to British economic eccentricity that the whole of the Tariff controversy affords. Whilst, on the one hand, the Free Traders of England are never tired of asserting that the protectionist policies of foreign nations can only handicap those nations, and that Great Britain with her healthy free trade principles is absolutely unassailable by such devices, the free trade cotton spinners and weavers of Lancashire take very good care that India does not impose even $3\frac{1}{2}$ per cent. for revenue purposes on their products without an accompanying and corresponding excise duty! If a paltry

$3\frac{1}{2}$ per cent. gives the Indian cotton mill an advantage over its British competitor, how very much greater advantage must foreign nations secure by means of their 30, 50 and 100 per cent. tariffs! And what becomes of the vaunted principles of Free Trade? In the case of India the excise duties have incidentally done some good in that they have softened the competition of Indian machine-made goods with those of the village handworker. But from the point of view of Great Britain and of the Empire as a whole, they are unnecessary and inexpedient. The manufacturers of the English Midlands would do far better to devise means for battering down the crushing tariffs of foreign nations rather than endeavour to check the growth of a legitimate Indian industry whose expansion, inevitable as it is, is nevertheless already handicapped by existing local conditions.

Sufficient has now been written to show that so far from India having . . . "very little to gain" . . . by a policy of Preferential Trade (*vide* the Government of India's celebrated Despatch of 1903), there is hardly a branch of her exports, her imports, or her home industries that might not benefit to some extent by a scientific and comprehensive policy of State encouragement to commerce. It is true that owing to peculiar social conditions and also to the unusual state of labour and capital in this great Dependency, progress would not be hastened in the same way or to the same extent as has occurred in say Canada, or Germany, or the United States. At the same time there is no doubt that the speed can be accelerated, and that it is "imperative"—to use Sir Edward Law's words—that a

"serious effort should be made" to bring about this acceleration. If the fear expressed in some quarters that India might not be able to meet her obligations to England, were foreign nations to initiate a policy of retaliation against India and the British Empire, still be thought worthy of serious consideration, it is only necessary to say that whereas in years past India used to pay her debts direct to England, she now pays them more and more *viâ* foreign nations, who of course retain from the remittances very handsome margins for themselves. If this be considered safer, more economical, or more satisfactory than working direct with the United Kingdom, or as far as possible through British agencies, then international commerce and finance need new rules and precepts. As a matter of fact whatever danger there may be to India's finance and currency arrangements from possible foreign retaliation (and a careful examination of the position showed clearly that now there was none), is the direct result of our allowing foreign rivals to manœuvre themselves into their present positions. Were India's products worked up wholly within the British Empire, the financial risks of foreign retaliation would be nil. Every consideration therefore points to the desirability of India adopting a policy that will stimulate her own commercial development to the utmost and at the same time reduce any financial risk to which her present dependence on foreign nations may temporarily expose her. In carrying out this policy, it must not be forgotten, however, that the interests of Great Britain are paramount. At the same time there is no reason for anticipating that, once the principle of mutual aid by means of mutual

preference be fully recognised, Great Britain will hesitate to grant every consideration to her chief and most valued Dependency. Regarded in this aspect, the outlook is as satisfactory as any practical Imperialist could wish.

XIX.—FINAL CONCLUSIONS.

Those who believe, as you believe, that you are the representatives of a rising movement, in possession of a policy which only requires to be explained to your countrymen in order to be adopted by them—your duty is plain. You have to state the details of your policy and spare no pains in the effort of impressing it upon your fellowmen. You are invited, and it is your duty to go forth and fight for it.—The late Lord Salisbury.

It now only remains to state as succinctly and as forcibly as we can, the conclusions to which our examination of the Tariff Problem, and especially of the position of India in connection therewith, has led us. Our starting point, it will be remembered, was the Resolution of the Colonial Conference of May last, which stated that . . . "Preferential Trade between the United Kingdom and His Majesty's dominions beyond the seas would facilitate and stimulate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the whole Empire". The advance on the current orthodox economic beliefs of a section of the people of Britain involved in the above resolution was foreseen many years ago by several great minds both in the United Kingdom itself and in all the outlying portions of the Empire. The idea was

familiar to and earnestly advocated by Cecil Rhodes and Hofmeyr, for example, in South Africa. Sir Edmund Barton, the late Premier of Australia, and the Hon. Alfred Deakin have for years past hammered at it in that portion of the Empire for which they were responsible; whilst in Canada, statesmen of such opposite political convictions as Mr. Borden and Sir Wilfrid Laurier have all joined hands in supporting a commercial policy which they believed essential to the continued welfare and advance of the Empire. In Great Britain itself the defects of our one-sided Free Trade system have been fully recognised and the policy condemned by two of the greatest statesmen of the last century—Lord Beaconsfield and the late Lord Salisbury; whilst at the present time some of the most gifted and far-seeing minds of the day, *e.g.*, Lord Milner and Lord Curzon, are in favour of a more scientific regulation of our international commerce. In these circumstances we can feel no surprise nor claim the slightest credit for concluding—as every man of world-experience must conclude—that a scientifically devised commercial policy directed towards the attainment of a specific national ideal will of necessity be more likely to bring about the promotion of that ideal than a policy which aims at no definite imperial development, but which relies upon the unrestricted play of individual interests (striving solely for private profits), corresponding in the long run with the best interests of the State, Nation or Empire as the case may be. As a matter of fact, orthodox Free Traders already recognise that even in internal trade matters, private and public interests are by no means synonymous, and our various legisla-

tion for regulating the working of mines, factories, mills, steamships, etc.—all direct restrictions on the freedom of the individual trader—are the practical outcome of this recognition. The extension of the principle of subordinating to a certain extent individual freedom of action to a higher and more important end—namely, the raising of the standards of living and the development of trade in all parts of the British Empire—is the policy involved in the Colonial Conference Resolution that we have been considering. It is a policy which our theoretical review of the matter led us unhesitatingly to accept, and which a practical comparison of the resources of the United Kingdom with the potentialities of our chief competitors compels us to advocate as the one and only means of preserving British economic and political supremacy in the near future.

This being so, our duty in India is plain. We must join our voices to those of Canada, Australia, New Zealand and South Africa in pressing upon the people of the United Kingdom the expediency of modifying their present tariff so as to utilise effectively the many opportunities which the Empire now offers of strengthening the position not only of Great Britain itself, but of the British Dominions throughout the world. To those who labour in distant parts of the Empire, the attitude of some of the old folks at Home in this matter of tariff reform is strongly reminiscent of that of certain Boer farmers, honest, God-fearing men, who, in reply to a proposal to dam a neighbouring water-course with the object of retaining for agricultural purposes a little of the water then running to waste, promptly con-

demned the whole idea as an impious interference with the works of Nature that would only bring on them the wrath of Divine Providence and lead to certain disaster! So, too, many people in enlightened England seem still to believe that were they to so far modify their present Customs Tariff (in its way, one of the heaviest in the world) as to shift a portion of the present import duties from British produce on to foreign produce, the sacred principles of Free Trade would in some mysterious way be violated, and commercial and political ruin would be the inevitable sequence. To the rest of the Empire, and indeed to the whole world, this blind, unchanging devotion to a Local Theory long since condemned by the greatest economists and statesmen of Europe and America, is one of the most extraordinary spectacles of the age. To the people of the United States, to the Germans, and indeed to Foreigners generally, it is a source of amused satisfaction as I well know from personal experience. To Great Britain's children beyond the seas, especially to our American brothers, it means an impending tragedy which they feel they must move heaven and earth to avert. Nobody who has discussed this question with the leaders of men—commercial and political—in Canada, will question the accuracy of this statement. Nobody who heard the impassioned appeals of Mr. Deakin or Sir William Lyne in London in May last, can doubt its truth. These Colonial Statesmen, from their valuable coin of vantage, are able clearly to see the opportunities which Great Britain is allowing to slip past her, and to gauge with certainty the inevitable results of these lost chances upon British Colonial developments in the near future. This ability

to forecast coming conditions of a certain character is not confined to observers in Australia or Canada only. Just as the astronomer who, seated far away in the Rocky Mountains or in some mid-Pacific isle, is able to perceive phenomena in a way impossible at Greenwich Observatory, so, too, the student of Empire who watches social, economic and political developments in the United Kingdom from the standpoint of India, South Africa, or New Zealand, can detect tendencies and measure probabilities that are imperceptible to many at Home. In no particular is this more apparent than in the growing wealth and power of Foreign Nations, and in the marvellous potentialities of the British Empire in America, Africa, Asia and Australasia, all of which are seriously obscured to many people of the United Kingdom owing to the vast wealth amidst which they are still expanding. Living themselves in civilised security and surrounded by accumulating riches of a magnitude hitherto unknown in the Islands of Britain, they find it difficult to realise that rival nations can be growing still wealthier and more powerful, more rapidly, too, than Great Britain, or that there can be any danger to the British Empire from such developments even supposing them to be taking place. That, however, is what is actually occurring in the world. Theory and practice clearly indicate the only policy that can meet the case so far as the British Empire is concerned—and that is mutual preference for British products. This policy has already been put into operation in the British Colonies, and to a small extent in India. With regard to the United Kingdom, a definite scheme has been proposed by Mr. Chamberlain, and we have seen that it

is in India's highest interests to warmly support that scheme—tentative and but slightly efficacious though it be. It is one of the evils of the times arising from the particular form of Government now current in the United Kingdom, that hand-to-mouth politicians invariably hide from the great voting public the eternal truth that progress can only be attained by way of sacrifice. This law applies with equal force to every branch and detail of personal, social, religious, private, public, economic and political life. It is similarly the root principle of all Empire building and all Empire consolidation. If then we are to knit together more closely the several units that at present constitute the British Empire, each and all must be prepared to make some contribution to the common good—the peoples of India and the Colonies must be prepared to do without or to relinquish, in some degree, local fiscal freedom just as the people of Britain must also be prepared to face a possible advance in price in certain commodities in order to hasten the development of the Empire as a whole. The system which compels great statesmen to conceal these elementary truths from the public is obviously unsound. Mr. Chamberlain, to his immortal credit, has on several occasions laid emphasis on the fact that we must be prepared to make sacrifices if we are to show ourselves worthy of the great responsibility now resting on us. At the same time Mr. Chamberlain's scheme involves little or no sacrifice beyond what may be regarded as an abandonment of economic principles no longer sound. And for this reason, it must be admitted that the practical benefits to be obtained therefrom as compared with the possibilities involved in an

all round Imperial Preferential Tariff, are extremely small. Still the scheme exactly fits the political requirements of the moment, and, what is most important, it involves a recognition of the great principle of Imperial Preference, and, incidentally, of the principle of mutual sacrifice in the common good. For these reasons, as before argued, India should unhesitatingly give the scheme a whole-hearted support.

So far as India itself is concerned, the same economic principles which regard commerce as the chief source of material, moral and political progress, apply as in the case of Great Britain and the other parts of the Empire. The practical operation of these principles, however, is at present seriously hampered by local conditions which very largely nullify the effects that are ordinarily produced in the West by State action; and until these impediments to progress are removed—a very long business involving radical changes in the habits, beliefs, and ambitions of 90 per cent. of the population—it is useless to expect much practical result from the substitution of a scientific tariff for the present revenue-cum-preference-for-Lancashire mechanism through which the currents of India's external trade at present flow. In considering the various methods by which the power of these currents might be utilised to aid commercial developments, our object has been merely to pass in review the resources we have within reach should an occasion arise when their assistance be required—a tolerable certainty before long! There would be little use in harnessing the Cauvery, or in manipulating the waters of the Indus, unless Labour, Demand and Capital were ready at hand to make use of the results of the

State's work. So, too, with the economic development of India, until education, in its widest sense, has revolutionised the demands of the multitudes and created adequate and efficient Labour, together with proportionate supplies of Capital, there is little object in erecting tariff turbines or other fiscal mechanism to stimulate developments for which the country is not yet ready. At the same time there is at the present day scope for certain beginnings, and for improvements in the present arrangements, such as the removal of all export and excise duties, the negotiation of lower duties, in Russia on Indian tea, and the imposition of additional import duties in order to provide the means for a largely extended system of wholesome primary education.

Whilst a practical recognition of the great principle of mutual preference in trade would have relatively but little effect at the moment on the commercial development of India owing to the peculiar local conditions now prevailing, the magnitude and composition of her great external trade currents are a source of immense strength to the Empire as a whole, and are of the very greatest value, therefore, in the building up of that general scheme of Preferential Trade upon which the future prosperity of the Empire in the main depends. This fact has been made abundantly clear in our analysis of the composition of these great currents made in previous chapters. If we have rattled some of the weapons in the Imperial Armoury, as it were, it has not been, as before explained, because we propose to rush forth with them and run amok amongst the international commerce of the world, but simply with the object of reminding some of our stay-at-home friends of

Britain that they are not in that naked and defenceless condition which certain lily-livered writers would have us to imagine. The bringing of these weapons of economic defence into operation is a matter for the Statesmen of the Empire, and we know what their advice is. The work of the practical economist has finished when he indicates their existence and explains their possibilities. And in this connection it may be pointed out that the spectacle of prominent men like Sir Thomas Sutherland and Lord Cromer crying out—the one because the Japanese are so "unfair" as to bring State-aid to the development of their shipping, and the other to warn us to be careful of Preferential Trade because rival nations would not like it, and might hurt us—such spectacles are hardly calculated to impress our great national competitors with any respect for our dignity or our power. The expenditure of energy, of wealth, and of life itself involved in the operation of war, is one of the forms of sacrifice by which the spirit and virility of nations are sustained; and although no civilised people can regard such a climax with feelings other than of horror, the fact remains that the individual, the State, the Nation or the Empire that lacks the strength and inclination to fight to the death when needs be, has entered upon a condition of decadence—the forerunner of certain destruction and extinction. Away, then, with all paltry fears of what other nations may think of the development of our fiscal policy. "I am impatient at these cowardly doctrines," said Mr. Chamberlain at Newport in November, 1903, and so indeed is everybody with an ounce of courage and understanding within him. Let us not reveal ourselves

filled with a craven fear of being great. Rather let us on our knees seek inspiration and guidance from the great Creator of all Empires so that we may be endowed with the foresight, the strength and the ability to meet a position of unprecedented complexity with the necessary fortitude and appropriate preparation. The spirit in which we must attack this, the greatest of all Imperial problems, must not be one of fear but rather that with which one of our greatest Colonial Statesmen, Sir Wilfrid Laurier, concluded his memorable Empire-building speech in Toronto on the 26th September last. These are the inspiring words: "We are surrounded with difficulties, but difficulties have no terrors for me at all events. I have been accustomed to deal with difficulties all my life; and indeed a man is no good until he has difficulties to overcome, and overcomes them. Difficulties we have had in the past, difficulties we shall have in the future; but difficulties we will overcome: our project shall and will succeed."

. . . .

"The English legislature, like the English people, is of slow temper, essentially conservative. In our wildest periods of reform, in the Long Parliament itself, you notice always the invincible instinct to hold fast by the old: to admit the minimum of the new: to expand, if it be possible, some old habit or method already found fruitful into new growth for the new need. It is an instinct worthy of all honour, akin to all strength and wisdom. The English legislature is entirely repugnant to believe in new epochs. Nevertheless, new epochs do actually come; and with them new imperious peremptory necessities, so that even an English legislator has

to look up and admit, though with reluctance, that the hour has struck. The hour having struck, let us not say impossible; it will have to be possible. The way to do it is to try to do it, knowing we die if it be not done."—CARLYLE.

APPENDIX A.

MR. CHAMBERLAIN'S PROPOSAL.

THE following extract from Mr. Chamberlain's great speech delivered at St. Andrew's Hall, Glasgow, on the 6th October, 1903, gives his proposals for initiating a scientific fiscal policy in the United Kingdom.

"I have been asked for a plan. I have hesitated, because, as you will readily see, no final plan can be proposed until a Government is authorised by the people to enter into negotiation upon these principles. Until that Government has had the opportunity of negotiating with the Colonies, with foreign countries, and with the heads and experts in all our great industries, any plan must be at the present time more or less of a sketch-plan. But at the same time I recognise that you have a right to call upon me for the broad outlines of my plan, and those I will give you (cheers) if you will bear with me. You have heard it said that I propose to put a duty of 5s. or 10s. a quarter on wheat. That is untrue. I propose to put a low duty on foreign corn, no duty at all on the corn coming from our British possessions (cheers). But I propose to put a low duty on foreign corn not exceeding 2s. a quarter (cheers). I propose to put no tax whatever on maize, partly because maize is a food of some of the very poorest of the population, and partly also because it is a raw material for the farmers, who feed their stock with it (hear, hear). I propose that the corresponding tax which will have to be put on flour should give a substantial preference to the miller (hear, hear), and I do that in order to re-establish one of our most ancient industries in this country (hear, hear), believing that if that is done not only will more work be found in agricultural

districts, with some tendency, perhaps, operating against the constant migration from the country into the towns (cheers), and also because by re-establishing the milling industry in this country the offals, as they are called—the refuse of the wheat—will remain in the country and will give to the farmers or the agricultural population a food for their stock and their pigs at very much lower rates. That will benefit not merely the great farmer, but it will benefit the little man, the small owner of a plot or even the allotment owner who keeps a single pig. I am told by a high agricultural authority that if this were done so great an effect would be produced upon the price of the food of the animal that where an agricultural labourer keeps one pig now he might keep two in the future (laughter). I propose to put a small tax of about 5 per cent. on foreign meat and dairy produce (cheers). I propose to exclude bacon, because once more bacon is a popular food with some of the poorest of the population. And, lastly, I propose to give a substantial preference to our Colonies upon colonial wines and perhaps upon colonial fruits. Well, those are the taxes, new taxes, or alterations of taxation which I propose as additions to your present burden.

"But I propose also some great remissions (cheers). I propose to take off three-fourths of the duty on tea and half of the whole duty on sugar, with a corresponding reduction on cocoa and coffee (cheers). Now, what will be the result of these changes, in the first place, upon the cost of living; in the second place, the Treasury? As regards the cost of living, I have accepted, for the purpose of argument, the figures of the Board of Trade as to the consumption of an ordinary workman's family, both in the country districts and in the towns, and I find that if he pays the whole of the new duties that I propose to impose it would cost an agricultural labourer 16½ farthings per week more than at present, and the artisan in the town 19½ farthings per week. In other words, it would add about 4d. per week to the expenditure of the agricultural labourer and 5d. per week on the expenditure of the artisan. But, then, the reduction which I propose, again taking the consumption as it is declared by the Board of Trade, the reduction would be, in the case of the agricultural labourer, 17 farthings a week; in the case of the artisan 19½ farthings a week (laughter and cheers).

"Now, gentlemen, you will see, if you have followed me, that upon the assumption that you pay the whole of the new taxes yourselves, the agricultural labourer would be half a farthing per week to the better (laughter), and the artisan would be exactly in the same position as at present. I have made this assumption, but I do not believe in it. I do not believe that these small taxes upon food would be paid to any large extent by the consumers in this country. I believe, on the contrary, they would be paid by the foreigner (cheers).

"Now, that doctrine can be supported by authoritative evidence. In the first place, look at the economists—I am not speaking of the fourteen professors (laughter)—but take John Stuart Mill, take the late Professor Sidgwick, and I could quote others now living. They all agree that of any tax upon imports, especially if the tax be moderate, a portion, at any rate, is paid by the foreigner, and that is confirmed by experience. I have gone carefully during the last few weeks into the statistical tables not only of the United Kingdom, but of other countries, and I find that neither in Germany, nor in France, nor in Italy, nor in Sweden, nor in the United Kingdom, when there has been the imposition of a new duty or an increase of an old duty, has the whole cost over a fair average of years ever fallen upon the consumer. It has always been partly paid by the foreigner (cheers). Well, how much is paid by the foreigner? That, of course, must be a matter of speculation, and, there again, I have gone to one of the highest authorities of this country—one of the highest of the official experts whom the Government consult—and I have asked him for his opinion, and in his opinion the incidence of a tax depends upon the proportion between the free production and the taxed production. In this case the free production is the home production and the production of the British Colonies. The taxed production is the production of the foreigner, and this gentleman is of opinion that if, for instance, the foreigner supplies, as he does in the case of meat, two-ninths of the consumption, the consumer only pays two-ninths of the tax. If he supplies, as he does in the case of corn, something like three-fourths of the consumption, then the consumer pays three-fourths of the tax. If, as in dairy produce, he supplies half of the consumption, then the consumer pays

half of the tax. Well, as I say, that is a theory that will be contested, but I believe it to be accurate, and at all events as a matter of curiosity I have worked out this question of the cost of living upon that assumption, and I find that, if you take that proportion, the cost of the new duties would be 9½ farthings to the agricultural labourer and 10 farthings to the artisan, while the reduction would still be 17 farthings to the labourer and 19½ farthings to the artisan (cheers). There, gentlemen, you see my point. If I give my opponents the utmost advantage, if I say to them what I do not believe, if I grant that the whole tax is paid by the consumer, even in that case my proposal would give as large a remission of taxation on the necessary articles of his life as it imposes. As a result of the advantage upon other necessary articles the budget at the end of the week, or the result at the end of the year, will be practically the same even if he pays the whole duty. But if he does not pay the whole duty, then he will get all the advantages to which I have already referred. In the case of the agricultural labourer he will gain about 2d. a week, and in the case of the town artisan he will gain 2½d. a week.

"I feel how difficult it is to make either interesting or intelligible to a great audience like this the complicated subject with which I have to deal. But this is my opening declaration, and I feel that I ought to leave nothing untold; at all events, to lay the whole of the outlines of my scheme before the country.

"Now, the next point, the last point I have to bring before you, is that these advantages to the consumer will involve a loss to the Exchequer. And you will see why. The Exchequer when it reduces tea or sugar loses the amount of the tax on the whole consumption, but when it imposes a tax on corn or upon meat it only gains the duty on a part of the consumption, since it does not collect it either upon the colonial or upon the home production. Well, I have had that worked out for me, also by an expert, and I find, even making allowance for growth in the colonial and home production, which would be likely to be the result of the stimulus which we give to them—and after making allowances for those articles which I do not propose to tax—the loss to the Exchequer will be £2,800,000 per annum. How is it to be made up? I propose to find it and to find more (cheers) in the other branch of

this policy of fiscal reform, in that part of it which is sometimes called 'retaliation' and sometimes 'reciprocity' (cheers). Now I cannot deal fully with that subject to-night. I shall have other opportunities, but this I will point out to you, that in attempting to secure reciprocity we cannot hope to be wholly successful. Nobody, I imagine, is sanguine enough to believe that America or Germany and France and Italy and all those countries are going to drop the whole of their protective scheme because we ask them to do so, or even because we threaten. What I do hope is that they will reduce their duties so that worse things may not happen to them (laughter and loud cheers). But I think we shall also have to raise ours (hear, hear). Now a moderate duty on all manufactured goods (cheers), not exceeding 10 per cent. on the average, but varying according to the amount of labour in these goods (hear, hear), that is to say, putting the higher rate on the finished manufactures upon which most labour would be employed—a duty, I say, averaging 10 per cent. would give the Exchequer at the very least £9,000,000 a year (cheers), while it might be nearer £15,000,000 if we accept the Board of Trade estimates of £148,000,000 as the value of our imports of manufactured and partly manufactured goods. Nine millions a year—well, I have an idea that the present Chancellor of the Exchequer (loud and prolonged cheers) would know what to do with a full purse (laughter). For myself, if I were in that onerous position—which may Heaven forfend (laughter)—I should use it in the first place to make up this deficit of £2,800,000 of which I have spoken; and, in the second place, I should use it for the further reduction both of taxes on food and also of some other taxes which press most hardly on different classes of the community (cheers). Remember this, a new tax cannot be lost if it comes to the Chancellor of the Exchequer. He cannot bury it in a stocking (laughter). He must do something with it, and the best thing he can do with it is to remit other taxation. *The principle of all this policy is that whereas your present taxation, whether it be on food or anything else, brings you revenue and nothing but revenue, the taxation which I propose, which will not increase your burdens, will gain for you in trade, in employment, in all that we most want to maintain, the prosperity of our*

industries (cheers). *The one is profitless taxation, the other scientific taxation* (cheers).

"I have stated, then, the broad outline of the plan which I propose. As I have said, this can only be filled up when a mandate has been given to the Government, when they have the opportunity which they desire to negotiate and discuss. It may be that when we have these taxes on manufactured goods we might be willing to remit or reduce it if we could get corresponding advantages from the country whose products would thus be taxed. It cannot, therefore, be precisely stated now what they would bring in, or what we should do, but this is clear that, whatever happened, we should get something. We should either get something in the shape of a reduction of other taxation or something in the shape of a reduction of those prohibitive tariffs which now hamper so immensely our native industries (cheers). There will be, according to this plan, as I have said, no addition to the cost of living, but only a transfer from one item to another.

"It remains to ask what will the Colonies say? I hear it said sometimes by people, who I think have never visited the Colonies and do not know much about them, that they will receive this offer with contempt, that they will spurn it, or that if they accept it they will give nothing in return. Well, I differ from these critics. I do not do this injustice to the patriotism or the good sense of the Colonies. When the Prime Ministers, representing all the several States of the Empire, were here, this was the matter of most interesting discussion. Then it was that they pressed upon the Government the consideration of this question. They did not press it—it is wrong, it is wicked, to say that they pressed it in any spirit of selfishness, with any idea of exclusive benefit to themselves. No; they had Mr. Rhodes's ideal in their minds. They asked for it as a tie, a practical tie, which should prevent separation, and I do not believe that they will treat ungenerously any offer that we may now be able to make them. They had not waited for an offer. Already Canada has given you a preference of 33⅓ per cent., South Africa has given you a preference of 25 per cent., New Zealand has offered a preference of 10 per cent. The Premier of Australia has promised to bring before Parliament a similar proposal. They have done all this in confidence, in faith, which I am certain will not be

disappointed—in faith that you will not be ungrateful, that you will not be unmindful of the influences which have weighed with them, that you will share their loyalty and devotion to an Empire which is theirs as well as ours, and which they also have done something to maintain (cheers).

"And, ladies and gentlemen, it is because I sympathise with their object, it is because I appreciate the wisdom, ay, the generosity of their offer, it is because I see that things are moving and that an opportunity now in your hands once lost will never recur; it is because I believe that this policy will consolidate the Empire—the Empire which I believe to be the security for peace and for the maintenance of our great British tradition (cheers)—it is for all these things, and, believe me, for no personal ambition that I have given up the office which I was so proud to hold (cheers), and that now, when I might, I think, fairly claim a period of rest, I have taken up new burdens, and come before you as a missionary of Empire, to urge upon you again, as I did in the old times, when I protested against the disruption of the United Kingdom (loud cheers), once again to warn you, to urge you, to implore you to do nothing that will tend towards the disintegration of the Empire, not to refuse to sacrifice a futile superstition, an inept prejudice, and thereby to lose the results of centuries of noble effort and patriotic endeavour." (Loud cheers, amid which Mr. Chamberlain resumed his seat, having spoken an hour and fifty minutes.)

APPENDIX B.

THE INDIAN TARIFF.

General Import Duties.

The following is a list of articles chargeable with duty. For the bulk of these articles tariff valuations are fixed, alterations in which are made whenever sufficiently important changes occur in the market values of the commodities. It is usual to publish a revised list of tariff valuations about December in each year. This list appears in the *Gazette of India* and is reprinted as a Customs circular. It may be obtained by application to the Secretary, Commerce and Industry Department, Government of India, Calcutta, or to the Under-Secretary of State, India Office, London, S.W.

General Duty of 5 per Cent. *ad Valorem.*

Articles of Food and Drink.

Coffee.

[1] Fruits and vegetables (except fresh fruits, etc.).

Mineral and aerated waters and all unfermented non-alcoholic beverages.

[1] Provisions, oilman's stores and groceries.

[1] See exceptions under 3½ per cent. duty, 2½ per cent. duty, 1 per cent. duty, and free list.

Spices.

Sugar, including saccharine produce of all kinds, and confectionery (in addition to countervailing duties, if any).

Tea.

Chemicals, Drugs, etc.

[1] Chemical products and preparations (including explosives).

[1] Drugs, medicines and narcotics.

Dyeing and tanning materials.

Metals and Manufactures of Metals.

Hardware and cutlery, including ironmongery and plated ware, and also including machines, tools, and implements to be worked by manual or animal labour, except water-lifts, sugar-mills, oil-presses, and parts thereof, and any other machines (and parts) ordinarily used in processes of husbandry or for the preparation for use, or for sale, of the products of husbandry, which Government may exempt; the following agricultural implements when adapted for manual or animal power, *viz.:* winnowers, threshers, mowing and reaping machines, elevators, seed-crushers, chaff-cutters, root-cutters, horse and bullock gears, ploughs, cultivators, scarifiers, harrows, clod-crushers, seed-drills, hay-tedders and rakes; and the following dairy appliances, *viz.:* cream-separators, milk sterilising or pasteurising plant, milk aerating and cooling apparatus churns, butter dryers and butter workers; as well as the following articles used in the manufacture of cotton, *viz.:* bobbins (warping), forks for looms, healds, heald cords, heald knitting needles, laces, lags and needles for dobbies, pickers (buffalo and others), picking bands, picking levers, picking sticks (over and under), reed pliers, reeds, shuttles (for power looms), springs for looms, strappings and weft forks, all of which are free.

Metals, unwrought and wrought, including silver bullion and coin, and articles made of metal, iron and steel, tinned cans, iron or steel wire-netting, and discs or circles. (See also 1 per cent. duty.)

[1] See exceptions under 3½ per cent. duty, 2½ per cent. duty, 1 per cent. duty, and free list.

Oils.

Petroleum with flashing point at or above 200° Fahrenheit for use exclusively for batching of jute or other fibre or for lubricating purposes. Also petroleum with flashing point at or above 150° for use exclusively as fuel, or for sanitary or hygienic purposes. (See also petroleum on page 191.)

All other sorts of oil, animal or vegetable (including otto of all kinds), and mineral, including paraffin wax.

Other Articles.

[1] Apparel, including drapery, haberdashery and millinery, etc.

Art, works of.

Brushes and brooms.

Building and engineering materials (*viz.*, asphalt, bricks and tiles, cement, fireclay, lime, earthenware piping, etc.).

Cabinet ware and furniture.

Carriages and carts, including motor-cars, cycles, jinrikshas, bath-chairs, perambulators, trucks, etc., and component parts thereof, but excluding motor-cars designed to carry goods and containing a prime mover, which are free.

Chinese and Japanese ware, including lacquered ware.

Clocks, watches, etc., and parts thereof.

Cordage, rope and twine of any vegetable fibre.

Earthenware (except piping), china, china-clay, porcelain and imitation or false coral.

Fans.

Fireworks, including fulminating powder.

Flax and articles made of flax, including linen thread.

Furniture, tackle and apparel, not otherwise described, for steam and other vessels.

[1] Gums, gum resins, etc., and articles made thereof (including caoutchouc, etc.).

Hemp and articles made therefrom.

Hides and skins, except raw or salted, which are free.

[1] See exceptions under 3½ per cent. duty, 2½ per cent. duty, 1 per cent. duty, and free list.

Horn, articles made of, not otherwise described.

Instruments, apparatus and appliances, and parts thereof : computing, dental, distilling, diving, drawing, educational, electric, electric lighting, galvanic, measuring, musical, optical, philosophical, phonographic, photographic (including materials for photography), scientific, surgical, surveying, telegraphic, telephonic, typewriters, and all other sorts, except telegraphic instruments and apparatus and parts thereof, when imported by or under the orders of a railway company, and any instruments, apparatus and appliances when imported as part of personal baggage, in the exercise of a profession or calling, which are free. *Bonâ fide* regimental band instruments (other than stringed) with accessories are also free.

Ivory and ivory-ware.

Jewellery and jewels, including manufactures of gold and silver.

Jute manufactures (except second-hand or used gunny bags, which are free).

Leather and articles made of leather, including boots and shoes, harness and saddlery, except saddlery for military equipment.

Malt.

Matches.

Oil-cloth and floor-cloth, including lincrusta, linoleum and tarpaulins.

Paints, colours, painters' materials and compositions for application to leather, wood and metals.

Paper, pasteboard, millboard and cardboard of all kinds, and articles made thereof.

Perfumery (except perfumed spirit).

Pitch, tar and dammer.

Seeds.

[1] Shells and cowries.

Silk and articles made of silk.

Soap.

Stationery.

Stone and marble, and articles made thereof.

Tallow and grease, including stearine.

[1] See exceptions under $3\frac{1}{2}$ per cent. duty, $2\frac{1}{2}$ per cent. duty, 1 per cent. duty, and free list.

Textile fabrics, not otherwise described.

Toilet requisites, not otherwise described.

Toys, toy-books and requisites for all games.

Umbrellas, parasols and sunshades of all kinds.

Walking-sticks and sticks for umbrellas, etc., whips, fishing-rods and lines.

Wood and timber, and articles made of wood, not otherwise described (except firewood, which is free).

Wool, articles made of, including felt.

All other articles not specified above or hereafter.

Duty of 3½ per Cent. *ad Valorem.*

Cotton piece-goods, hosiery, and all other manufactured cotton goods not otherwise described. (A corresponding excise duty is levied on the products of Indian cotton-mills.)

Duty of 2½ per Cent. *ad Valorem.*

Vinegar, in casks.

Copperas, green.

Duty of 1 per Cent. *ad Valorem.*

Iron: anchors and cables; angle T and channel; bar; nail rod and round rod; beams, joists, pillars, girders, bridgework and other descriptions of iron imported exclusively for building purposes; plate and sheet; hoop; nails; nuts and bolts; old; pig; pipes and tubes, including fittings therefor, such as bends, boots, elbows, tees, sockets, flanges, etc.; rails, sleepers, chairs, dog-spikes, and fish-plates other than those exempt as railway materials, switches, crossings, lever-boxes, clips and tie-bars; rice-bowls; ridging; guttering and continuous roofing; rivets and washers; wire, including fencing wire and wire-rope (excluding wire-netting).

Steel: angle T and channel; anchors and cables; bar and blooms; beams, joists, pillars, girders, bridgework and other descriptions of steel imported exclusively for building purposes; cast and blistered; hoop; nails; nuts and bolts and nail rods; old; pipes and tubes and fittings therefor, such as bends, boots, elbows,

tees, sockets, flanges, etc. ; plates and sheets ; rails, sleepers, chairs, dog-spikes, and fish-plates other than those exempt as railway materials, switches, crossings, lever-boxes, clips and tie-bars ; rivets and washers ; wire-rope ; wire (excluding wire-netting) ; ridging ; guttering and continuous roofing.

Free List.

Animals, living.

Articles of Food and Drink.

Fruits and vegetables, fresh.
Hops.
Grain and pulse, not including flour.
Fish-maws and shark-fins.
Singally and sozille.

Drugs and Narcotics.

Anti-plague serum.
Quinine and other alkaloids of chinchona.
Tobacco, unmanufactured.

Metals and Manufactures of Metals.

Machinery, namely, prime movers and component parts thereof, including boilers and component parts thereof ; also including locomotive and portable engines, steam-rollers, fire-engines and other machines in which the prime mover is not separable from the operative parts.

Machinery (and component parts thereof), meaning machines or sets of machines to be worked by electric, steam, water, fire or other power not being manual or animal labour, or which before being brought into use require to be fixed with reference to other moving parts ; and including belting of all materials for driving machinery.

Machinery and component parts thereof made of substances other than metal are included in this entry.

Provided that the term machinery does not include tools and implements to be worked by manual or animal labour, and provided also that only such articles shall be admitted as component parts of machinery as are indispensable for the working of the machinery

and are, owing to their shape or other special quality, not adapted for any other purpose.

Copper current coin of Government of India.

Gold bullion and coin.

Lead sheets for tea-chests.

Silver current coin of Government of India.

Railway material for permanent-way and rolling-stock, namely, cylinders, girders, and other materials for bridges, rails, sleepers, bearing and fish-plates, fish-bolts, chairs, spikes, crossings, sleeper fastenings, switches, interlocking apparatus, brake-gear, couplings and springs, signals, turn-tables, weigh-bridges, engines, tenders, carriages, waggons, traversers, trollies, trucks and component parts thereof ; also cranes and water-cranes, water-tanks and standards, wire and other material for fencing, when imported by or under the orders of a railway company.

Other Articles.

Bamboos, etc.

Books, printed, etc.

Bristles and fibre for brushes and brooms.

Coal, coke and patent fuel.

Cotton, raw.

Cotton, twist and yarn.

Cotton, sewing and darning thread.

Earth, common clay and sand.

Frankincense or olibanum.

Hides and skins, raw or salted.

Horn.

Jute, raw and second-hand, or used gunny bags.

Manures of all kinds, including animal bones.

Motor-cars designed to carry goods, and containing a prime mover.

Oilcake, bran, fodder and cattle food of all kinds.

Plants and bulbs.

Precious stones and pearls, unset.

Pulp of wood, straw, rags, paper, etc.

Printing and lithographic materials, including presses, type, ink, etc., but excluding paper.

Rags.

Mother of pearl, nacre.

Ships and other vessels for inland and harbour navigation imported entire or in sections.

Natural science specimens, including antique coins and medals.

Tea-chests of metal or wood, entire or in sections for packing of tea for transport in bulk.

Tea-withering racks.

Uniforms and accoutrements for personal use of a public servant.

Wool, raw.

Names of Articles.	Tariff Valuation.	Rate of Duty. Rs.	As.
SPECIAL IMPORT DUTIES.			
ARMS, AMMUNITION, AND MILITARY STORES[1]—			
Fire-arms and parts thereof—			
1. Fire-arms other than pistols (including gas and air guns and rifles)	Each.	50	0
2. Barrels for the same, whether single or double	,,	30	0
3. Pistols	,,	15	0
4. Barrels for the same, whether single or double	,,	10	0
5. Springs used for fire-arms	,,	8	0
6. Gunstocks, sights, blocks, and rollers	,,	5	0
7. Revolver breeches, for each cartridge they will carry	,,	2	8
8. Extractors, nippers, heel-plates, pins, screws, tangs, bolts, thumb-pieces, triggers, trigger-guards, hammers, pistons, plates, and all other parts of a fire-arm not herein otherwise provided for, and all tools used for cleaning or putting together or loading the same	,,	1	8
9. Machines for making, loading or closing cartridges	,,	10	0
10. Machines for capping cartridges	,,	2	8
11. Gunpowder, all sorts	*Ad valorem.*	10 per cent.	
12. All other sorts of arms, ammunition and military stores			

N.B.—The importation of all rifles of ·303 and ·450 bore is prohibited.

[1] Including also any articles other than those included in Nos. 1 to 12 above, which are "arms" within the meaning of the Indian Arms Act, and any articles which the Governor-General in Council may notify in the *Gazette of India* to be "ammunition" or "military stores" for the purposes of this Act.

Proviso 1.—No duty in excess of 10 per cent. *ad valorem* shall be levied upon any of the articles numbered 1 to 10 in the above list when they are imported in reasonable quantity, for his own private use, by any person lawfully entitled to possess the same.

Proviso 2.—When any of these articles which have been otherwise imported, and upon which duty has been levied or is leviable under Nos. 1 to 10, are purchased retail from the importer by a person lawfully entitled as aforesaid, in reasonable quantity, for his own private use, the importer may apply to the Customs Collector for a refund or remission (as the case may be) of so much of the duty thereon as is in excess of 10 per cent. *ad valorem*; and if such collector is satisfied as to the identity of the articles, and that such importer is in other respects entitled to such refund or remission, he shall grant the same accordingly.

Exception I.—Articles falling under the 5th, 6th, 8th, 9th or 10th head of the above list, when they appertain to a fire-arm falling under the 1st or 3rd head, and are fitted into the same case with such fire-arm - - - - - -	...	Free.
Exception II.—Arms forming part of the regular equipment of an officer entitled to wear diplomatic, military, naval, or police uniform - - - - - - - - -	...	Free.
LIQUORS—		
Ale, beer, and porter - - - - - - -	Per Impl. gal. or 6 quart bottles.	Two annas.
Cider, and other fermented liquors - - - - -	Per Impl. gal. or 6 quart bottles.	Two annas.
Liqueurs - - - - - - - - - -	,, ,,	10 Rupees.
Spirit which has been rendered effectually and permanently unfit for human consumption - - - - -	*Ad valorem.*	5 per cent.
,, when used in drugs, medicines, or chemicals in a proportion less than 20 per cent. of spirit of the strength of London proof - - - - - - -	,,	,,

Names of Articles.	Tariff Valuation.	Rate of Duty.
LIQUORS (*continued*)—		
Spirit when so used in a proportion of 20 per cent. and upwards - - - - - - - - -	Per Impl. gal. or 6 quart bottles of the strength of London proof.	Rs. 7, and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof.
,, perfumed, in wood or in bottles - - - -	Per Impl. gal. or 6 quart bottles.	Rs. 11 As. 0
,, other sorts - - - - - - - -	Per Impl. gal. or 6 quart bottles of the strength of London proof.	Rs. 7, and the duty to be increased or reduced in proportion as the strength of the spirit exceeds or is less than London proof.

		Rs.	As.
Wines:—			
Champagne and all other sparkling wines not containing more than 42 per cent. of proof spirit - - -	Per Impl. gal. or 6 quart bottles.	2	8
All other sorts not containing more than 42 per cent. of proof spirit - - - - - - - - -	,, ,,	1	0
All wines containing more than 42 per cent. of proof spirit shall be liable to duty at the rate applicable to spirit, other sorts - - - - - - -			
Opium (not covered by a Government pass) - - - - -	Per ser of 80 tolas.	24	0
Petroleum including also naphtha and the liquids commonly known by the names of rock oil, Rangoon oil, Burma oil, kerosine, paraffin oil, mineral oil, petroline, gasoline, benzol, benzoline, benzine, and any inflammable liquid which is made from petroleum, coal, schist, shale, peat, or any other bituminous substance, or from any products of petroleum. (See also Oils, on page 182.) - - - - - - -	Per Impl. gal.	One anna.	
Salt - - - - - - - - - - -	Per Indian maund of $82\frac{2}{7}$ lb. avoirdupois weight.	The rate at which excise duty is for the time being leviable on salt manufactured in the place where the import takes place (*viz.*, R. 1).	
Salted Fish, wet or dry - - - - - - - -	Per Indian maund of $82\frac{2}{7}$ lb. avoirdupois weight.	Six annas.	

COUNTERVAILING DUTIES ON BOUNTY-FED SUGAR (LEVIED UNDER ACTS XIV. OF 1899, VIII. OF 1902, XII. OF 1903, AND XI. OF 1904).

Countries.	Kinds of Sugar.	Duties to be levied in addition to the General Import Duty of 5 per cent.		
		Per cwt.		
		R.	A.	P.
Argentine Republic	All kinds - - -	10	15	8
	Special duty on refined sugar, *i.e.*, polarising 96° and more - - -	6	0	2
	Special duty on unrefined sugar, *i.e.*, polarising less than 96° - -	4	8	9
	Sugar candy - - -	3	2	9
Chile - - -	Raw sugar - - -	0	9	2
Denmark - -	Special duty on refined sugar - - - -	0	8	0
	Special duty on candy and sugar in whole or broken loaves, plates, cakes, etc., whatever the colour may be, and white pulverised sugar which is lighter than the Amsterdam standard sample, No. 18.	0	8	10
Russia - - -	Special duty on refined sugar - - - -	9	10	2
	Special duty on unrefined sugar - - - -	5	15	10

Export Duty.

Rice, husked or unhusked (including rice-flour), per maund of $82\frac{2}{7}$ lb. avoirdupois, 3 annas. Rice-bran and rice-dust are free.

Note.—Under Act IX. of 1903, a customs duty of $\frac{1}{4}$ pie per lb. is levied on all tea produced in India and exported therefrom, the proceeds being paid to a Tea Cess Committee appointed to promote the sale of Indian tea.

APPENDIX C.—THE GROWTH OF INDIA'S OVERSEA TRADE.

EXPORTS.—VALUE OF EXPORTS OF PRINCIPAL ARTICLES OF INDIAN PRODUCE AND MANUFACTURES FROM BRITISH INDIA BY SEA.

(Exports of Foreign Produce and Manufactures, Government Stores, Private and Government Treasure, are omitted.)

Articles.	1896-7.	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.
	£	£	£	£	£	£	£	£	£	£
Animals, Living - - -	118,645	94,281	106,653	133,810	145,833	142,634	137,406	148,502	129,342	128,922
Apparel - - - -	127,193	109,423	101,285	106,480	134,654	139,977	176,331	146,637	125,247	129,469
Bristles and Fibre for Brushes, etc.	62,489	69,623	71,353	76,667	99,578	91,040	105,267	138,422	122,657	143,402
Coal, Coke, etc. - - -	94,083	142,757	223,535	218,674	395,912	377,272	258,501	254,172	310,214	438,577
Coffee - - - - - -	1,056,693	1,012,753	1,166,549	989,809	818,967	833,480	880,842	911,585	1,107,317	1,171,149
Coir, and Manufactures of (excluding Cordage)	178,835	210,384	225,235	259,249	282,418	265,356	322,463	334,449	354,717	368,591
Cotton, Raw - - - -	8,646,726	5,914,209	7,459,026	6,616,710	6,751,600	9,617,396	9,838,132	16,250,764	11,623,125	14,221,979
,, Twist and Yarn -	4,782,072	4,644,555	4,402,059	4,601,452	2,780,392	6,211,130	5,693,356	5,894,362	6,543,788	8,258,458
,, Manufactures - -	882,244	789,671	790,253	914,631	1,021,578	1,032,404	978,436	1,087,177	1,218,340	1,358,542
Drugs & Medicines (excluding Opium)	68,573	103,877	92,639	139,455	129,507	117,895	96,799	98,711	118,953	107,384
Dyeing & Tanning Materials:										
Indigo - - - -	2,913,838	2,038,268	1,980,319	1,795,007	1,423,987	1,234,837	803,788	717,468	556,405	390,918
Myrabolams - - -	240,955	172,633	213,618	235,447	211,212	237,577	251,484	280,686	283,938	297,378
Other sorts - -	185,003	148,731	126,942	212,834	184,795	153,251	164,835	172,631	94,600	99,282
Fruits and Vegetables (including Copra)	53,813	92,933	102,816	129,388	131,896	112,720	213,241	361,817	207,230	248,634
Grain and Pulse:—										
Jawar and Bajra - -	152,015	169,607	436,804	127,947	35,829	63,498	172,843	473,076	625,937	450,715
Pulse - - - - -	151,377	117,154	311,674	245,678	155,748	275,771	374,714	519,264	711,596	534,592
Rice - - - - - -	7,964,748	7,803,346	10,541,800	8,730,781	8,811,744	9,279,310	12,595,392	12,721,893	13,079,309	12,423,351
Wheat - - - -	557,597	894,101	6,479,792	2,606,331	20,055	2,170,614	3,010,238	7,392,636	11,937,380	5,689,600

Wheat-flour	287,097	278,330	330,954	256,625	238,878	217,525	310,309	353,256	461,441	425,551
Other sorts	114,408	106,713	30,688	98,127	91,971	155,576	523,029	268,426	598,464	158,504
Gums and Resins	91,120	61,262	50,621	59,639	53,169	55,132	33,868	36,194	34,047	43,882
Hemp, Raw	154,079	128,876	145,413	168,830	224,826	256,353	289,816	323,589	298,754	361,317
Hides and Skins, Raw	2,156,381	2,996,198	2,770,056	4,592,233	4,658,968	3,717,759	3,691,312	3,890,809	4,702,759	6,745,929
,, Dressed & Tanned	2,511,194	2,518,825	2,196,090	2,383,018	2,996,124	1,769,364	1,932,124	2,065,917	1,901,145	2,425,480
Horn and Hornmeal	111,549	103,855	104,737	121,392	116,978	89,051	113,684	80,387	91,491	116,663
Jewellery and Precious Stones	32,086	32.117	48,850	32,442	41,007	28,935	118,888	21,410	79,357	73,130
Jute, Raw	7,033,718	6,753,328	4,627,497	5,381,098	7,245,171	7,864,848	7,417,650	7,812,081	7,977,097	11,417,109
,, Manufactures	3,475,953	3,953,904	3,865,574	4,176,233	5,243,068	5,807,611	6,013,267	6,312,797	6,625,912	8,298,656
Lac (of all sorts)	933,241	713,947	580,930	757,773	710,265	640,352	1,233,859	1,815,931	2,050,941	2,120,077
Manures (chiefly Animal Bones)	282,138	263,500	272,268	408,581	394,228	344,128	381,784	294,858	291,856	473,136
Metals (chiefly Manganese Ore)	79,269	80,397	73,930	124,606	259,120	168,768	175,232	199,350	217,694	351,537
Oil-cake	127,845	92,249	102,037	138,731	207,196	198,949	228,174	261,231	287,241	346,613
Oils	405,859	431,450	533,925	579,099	437,678	461,167	571,786	687,268	668,712	544,550
Opium	5,348,615	4,065,042	4,750,674	5,469,143	6,303,624	5,681,990	5,344,623	6,980,110	7,082,295	6,314,512
Provisions	346,066	351,445	406,486	411,373	385,037	406,441	452,567	409,702	438,133	473,985
Rice-bran	170.367	178,993	162,777	216,162	234,660	253,889	296,009	280,040	293,339	369,455
Saltpetre	381,443	265,830	232,896	256,196	226,355	237,870	288,486	271,691	241,588	256,861
Seeds	5,341,120	5,729,400	7,898,129	6,733,019	6,009,357	11,186,179	9,921,714	9,677,220	9,607,237	7,072,818
Silk, Raw	341,107	343,233	305,335	465,740	341,471	442,280	436,544	422,831	331,332	375,979
,, Manufactures	106,561	84,027	85,459	85,935	83,630	70,313	63,257	55,513	48,706	47,674
Spices	331,371	314,419	412,398	365,530	361,010	493,885	424,140	618,717	462,674	605,244
Sugar	459,033	194,969	132,291	224,954	113,967	60,108	64,852	69,431	97,532	122,734
Tea	5,416,365	5,372,415	5,363,203	6,061,408	6,367,287	5,432,993	4,907,761	5,705,288	5,648,532	5,907,136
Tobacco	120,889	107,833	143,707	121,193	103,274	231,267	182,217	139,779	138,752	156,029
Wood, and Manufactures of	532,457	719,374	723,804	724,616	713,740	594,362	583,432	748,062	522,784	597,344
Wool, Raw	827,665	901,358	835,655	904,250	601,996	529,217	776,880	918,264	1,261,116	1,409,819
,, Manufactures	134,688	149,266	152,857	168,836	197,622	179,845	167,714	182,853	151,165	138,356
All other Articles	693,221	664,206	728,562	828,665	942,950	840,956	900,755	948,340	998,657	1,241,753
Total	66,587,107	62,524,067	72,900,185	70,455,797	69,440,332	80,803,275	83,919,801	99,755,597	102,760,848	105,452,776

APPENDIX C.—THE GROWTH OF INDIA'S OVERSEA TRADE (*continued*).

IMPORTS.—VALUE OF IMPORTS OF PRINCIPAL ARTICLES OF PRIVATE MERCHANDISE INTO BRITISH INDIA BY SEA.

(Imports of Government Stores and of Government and Private Treasure are omitted.)

Articles.	1896-7.	1897-8.	1898-9.	1899-1900.	1900-1.	1901-2.	1902-3.	1903-4.	1904-5.	1905-6.
	£	£	£	£	£	£	£	£	£	£
Apparel - - - - - -	1,010,730	816,375	920,324	976,204	1,026,518	1,129,430	1,187,520	1,330,505	1,493,309	1,478,457
Arms, Ammunition, etc. - -	172,927	170,520	192,675	168,764	156,385	181,318	165,907	162,495	187,814	146,897
Books - - - - - -	157,712	132,102	141,203	152,064	152,456	170,416	174,354	189,615	213,050	216,577
Building and Engineering Materials	111,021	136,613	134,889	127,630	142,359	139,300	151,736	191,390	235,382	306,609
Carriages, Carts, etc. - - -	149,931	191,039	211,599	176,541	156,791	206,627	248,839	290,258	366,807	512,075
Chemicals - - - - -	257,690	304,035	283,101	299,692	367,799	381,292	368,141	393,457	408,823	459,476
Clocks and Watches - - -	81,819	72,737	88,650	93,091	92,400	106,645	110,284	115,841	128,258	124,711
Coal, Coke, etc. - - - -	652,681	356,919	464,253	540,143	204,493	300,596	247,521	225,181	296,430	214,119
Cotton, Raw - - - -	85,239	69,234	57,546	308,206	467,250	135,679	113,048	33,530	425,693	360,219
,, Twist and Yarn - -	2,217,247	2,328,692	1,701,088	1,633,341	1,659,477	1,764,684	1,531,725	1,428,050	1,658,432	2,283,599
,, Manufactures - -	17,616,189	15,267,863	16,452,057	18,001,409	18,230,752	20,165,301	18,765,883	19,245,668	23,706,109	26,011,799
Drugs and Medicines - -	339,091	369,033	345,509	336,163	411,306	397,531	424,583	454,135	471,595	449,959
Dyeing and Tanning Materials -	487,565	511,737	518,071	428,906	450,796	527,010	540,408	654,761	617,867	631,521
Flax Manufactures - - -	101,695	104,491	91,327	98,645	123,932	132,787	124,090	131,908	142,770	137,599
Fruits and Vegetables (fresh) -	79,225	98,987	74,943	62,304	71,787	53,545	38,369	62,137	56,197	71,087
Glass and Glassware - - -	469,364	384,309	441,529	511,101	503,451	616,885	630,546	661,384	750,473	749,807
Grain and Pulse - - -	370,304	407,195	20,843	484,662	639,353	193,697	89,306	46,674	28,814	205,093
Gums and Resins - - -	74,007	70,478	72,913	76,948	81,372	95,366	78,143	123,920	109,314	130,285
Hardware, Cutlery, Implements, etc.	1,034,058	976,510	953,415	1,060,195	1,227,649	1,137,758	1,332,778	1,551,887	1,586,165	1,510,489
Hides and Skins, Raw & Dressed	104,282	102,103	106,364	92,331	86,678	116,038	149,753	121,889	142,584	157,223
Horses - - - - - -	241,165	145,517	215,397	197,934	318,459	306,491	275,696	349,906	369,863	311,734
Instruments, Apparatus and Appliances	216,087	204,470	227,401	259,905	309,128	346,449	398,666	444,960	495,978	608,579
Ivory, and Manufactures of -	154,615	162,956	160,804	78,934	111,890	114,591	129,123	137,105	124,026	112,938
Jewellery and Precious Stones -	426,702	381,037	350,292	734,999	481,455	830,573	987,424	1,114,633	701,615	1,033,112
Leather, and Manufactures of -	138,908	123,552	131,880	126,839	117,853	126,803	171,797	174,642	168,127	204,055
Liquors: Malt, etc. - - -	316,517	308,287	320,959	303,926	313,346	340,532	345,698	374,009	404,097	421,619
,, Spirits - - -	551,395	547,484	571,068	570,669	575,634	591,291	634,592	661,005	670,619	725,233
,, Wines - - -	228,717	203,225	206,320	190,390	188,959	177,873	200,130	183,196	174,599	198,356

Machinery and Millwork	2,339,441	1,905,185	2,037,287	1,694,602	1,505,039	2,003,921	1,869,227	2,235,095	2,684,828	3,283,788
Matches	189,871	278,130	253,193	231,729	265,372	291,057	311,758	337,404	326,352	392,217
Metals: Iron	1,846,247	1,914,859	1,539,053	1,612,932	2,093,322	1,935,503	2,020,326	2,298,282	2,523,408	2,271,764
,, Steel	641,617	757,631	683,669	667,234	955,099	1,307,110	1,370,690	1,747,350	1,560,225	2,157,479
,, Brass	38,529	49,937	36,480	41,156	54,362	49,274	46,942	43,335	38,412	46,285
,, Copper	716,217	947,313	747,518	352,758	611,422	720,297	1,308,288	1,445,852	1,405,968	956,495
,, Zinc or Spelter	46,821	65,150	77,603	92,943	80,338	75,954	93,947	106,419	97,497	99,328
,, Tin	147,025	147,754	111,181	92,275	147,238	156,963	170,544	261,986	262,402	161,153
,, Lead	112,905	103,921	91,465	104,486	140,741	149,352	116,523	123,757	122,705	126,518
,, Quicksilver	27,465	31,747	26,639	22,691	34,087	31,968	25,776	26,776	26,051	26,642
,, German Silver	[1]	[1]	[1]	[1]	144,173	136,502	140,705	99,646	127,842	107,838
,, Unenumerated	61,652	101,853	139,223	134,028	26,875	46,467	37,595	43,587	48,049	74,940
Oils: Mineral	2,058,853	2,434,528	2,163,515	2,120,361	2,305,235	2,558,444	2,309,700	2,255,135	2,216,703	1,490,704
,, Animal, Essential and Vegetable	233,914	329,849	204,488	163,754	199,445	254,161	166,863	103,192	112,059	139,044
Paints and Colours, etc.	226,642	216,251	222,691	231,433	269,323	285,971	277,411	284,579	312,799	328,357
Paper and Pasteboard	256,187	221,280	255,105	274,212	302,000	351,442	349,871	347,893	429,153	469,932
Porcelain and Earthenware	143,401	136,695	124,899	132,691	134,317	173,325	182,843	186,669	195,454	224,052
Provisions	1,024,996	1,137,147	1,021,111	1,125,498	1,317,144	1,323,115	1,227,367	1,351,520	1,443,866	1,590,412
Railway Plant & Rolling Stock[2]	1,705,732	1,839,034	1,883,210	1,851,385	894,080	1,028,386	1,074,481	934,643	939,772	1,081,745
Salt	419,029	579,145	440,818	407,997	377,338	517,944	414,336	424,611	474,199	438,125
Silk, Raw	583,659	446,515	531,771	384,059	677,960	539,747	367,743	395,302	489,408	474,603
,, Manufactures	911,113	766,173	907,863	753,221	1,110,540	989,801	1,088,215	1,222,315	1,412,100	1,267,673
Soap	78,045	82,914	87,773	107,133	116,256	117,428	151,187	177,112	181,580	212,726
Spices	403,116	496,515	592,703	611,015	586,071	565,060	565,202	548,011	688,237	733,726
Stationery	221,253	184,869	193,321	195,844	211,250	215,238	223,431	247,203	245,191	251,362
Sugar	2,101,219	3,189,653	2,677,999	2,251,086	3,770,144	3,933,481	3,303,273	3,957,183	4,601,821	5,183,013
Tea	345,613	141,991	123,296	105,762	169,142	106,929	137,320	13[illegible],882	126,401	122,329
Tea Chests	[1]	[1]	84,161	98,284	151,381	67,805	87,577	92,232	139,102	127,868
Tobacco	175,351	188,519	195,369	222,641	253,651	300,157	297,681	331,272	370,857	440,587
Toys and Requisites for Games	128,297	94,069	111,579	131,452	124,018	133,619	151,337	181,941	184,914	194,104
Umbrellas	204,629	223,583	162,292	182,021	180,022	120,282	125,710	163,925	126,338	131,951
Wood, and Manufactures of	175,170	168,793	118,304	150,394	174,061	215,767	259,496	337,589	437,197	606,262
Wool, Raw	93,485	82,923	60,998	56,969	55,960	71,753	53,228	44,066	45,376	61,226
,, Manufactures	1,128,297	765,618	1,015,821	1,172,001	1,408,384	1,312,999	937,274	1,439,578	2,050,952	1,617,227
All other Articles	1,229,879	1,200,731	1,208,076	1,273,259	1,336,405	1,472,206	1,645,345	1,760,379	1,870,164	2,045,708
Total	47,862,553	46,177,775	15,586,894	47,141,242	50,851,923	54,345,986	52,525,272	56,548,862	64,452,192	68,710,440

[1] Not separately enumerated.

[2] Exclusive of railway materials for State Lines.

APPENDIX C.—THE GROWTH OF INDIA'S OVERSEA TRADE (*continued*).

GOLD AND SILVER.

TOTAL NET IMPORTS OF *GOLD* ON PRIVATE AND GOVERNMENT ACCOUNT.

Year.	Imports.	Exports.	Net Imports.
	£	£	£
1896-7	2,994,119	1,466,761	1,527,358
1897-8	4,854,148	1,581,822	3,272,326
1898-9	5,893,369	1,557,764	4,335,605
1899-1900	7,632,531	1,338,797	6,293,734
1900-1	7,932,013	7,370,590	561,423
1901-2	5,538,357	4,246,596	1,291,761
1902-3	8,794,912	2,951,868	5,843,044
1903-4	13,431,913	6,810,806	6,621,107
1904-5	14,541,318	8,070,728	6,470,590
1905-6	9,832,649	9,527,322	305,327

TOTAL NET IMPORTS OF *SILVER* ON PRIVATE AND GOVERNMENT ACCOUNT.

Year.	Imports.	Exports.	Net Imports.
	£	£	£
1896-7	5,728,923	1,824,903	3,904,020
1897-8	8,832,930	3,183,943	5,648,987
1898-9	6,037,039	3,383,183	2,653,856
1899-1900	6,349,926	3,965,461	2,384,465
1900-1	8,452,495	2,114,340	6,338,155
1901-2	8,195,867	3,400,644	4,795,223
1902-3	8,124,325	3,486,557	4,637,768
1903-4	12,252,159	3,150,315	9,101,844
1904-5	11,797,465	2,956,483	8,840,982
1905-6	11,268,027	786,015	10,482,012

Note.—The gold production of the Indian mines has averaged £2,260,000 per annum for the five years ending 1906-7.

THE ABERDEEN UNIVERSITY PRESS LIMITED.